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Report of the Secretary-General on the activities of the Office of Internal Oversight Services

Report of the Office of Internal Oversight Services

Note by the Secretary-General*

1. In conformity with paragraph 5 (e) (ii) of General Assembly resolution 48/218 B of 29 July 1994 and resolution 54/244 of 23 December 1999, the Secretary-General transmits herewith to the Assembly as submitted the sixth annual report of the Office of Internal Oversight Services, covering activities for the period from 1 July 1999 to 30 June 2000.

2. The Secretary-General concurs with the observations of the Under-Secretary-General for Internal Oversight Services in his preface that the Office is now recognized as an objective source of reliable information and as an agent of change in the Organization, in particular with regard to strengthening internal controls and management performance.

3. The continuing efforts of the Office of Internal Oversight Services to improve its relationships with management and with all Member States, and to coordinate its programme with other oversight bodies, including the Board of External Auditors and the Joint Inspection Unit, are noted with appreciation.

* The footnote requested by the General Assembly in resolution 54/248 was not included in the submission.

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Report of the Office of Internal Oversight Services

for the period from 1 July 1999 to 30 June 2000

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Preface
by the Under-Secretary-General for Internal Oversight Services

This is the first summary report on the activities of the Office of Internal Oversight Services that I have the honour to present to the General Assembly since I assumed my official duties in April 2000. I took over from Karl Th. Paschke, the first Under-Secretary-General for Internal Oversight Services, who served from November 1994 to November 1999. I would like to express my appreciation to Mr. Paschke for his groundbreaking efforts in implementing the General Assembly resolution which created the Office, and for his dedication in establishing the Office as an integral part of the management culture of the Organization.

In the relatively short span of six years, the monitoring and oversight functions of the Organization have evolved from a collection of small autonomous units reporting to the Administration into an independent, integrated Office which provides a comprehensive range of internal oversight services. The Office of Internal Oversight Services is now recognized, both within and outside of the Organization, as an objective source of reliable information and as an agent of change in the United Nations, in particular with regard to strengthening internal controls and improving management performance. The role and mandate of the Office were reaffirmed by the General Assembly in its resolution 54/244 of 23 December 1999.

The present report sets out the major accomplishments of the Office of Internal Oversight Services for the period from 1 July 1999 to 30 June 2000. During this period, the Office made 968 recommendations to its clients, representing an increase of 15 per cent over the previous year. Similarly, investigators of the Office logged 287 new cases this year, an increase of 16 per cent. It is encouraging to note that the Office has extended its oversight of field activities, including those of the Office of the Iraq Programme and operations of the Office of the United Nations High Commissioner for Human Rights. The Office of Internal Oversight Services has also addressed some of the major reform issues facing the Organization. In this regard, the report presents the findings of the reviews conducted by the Office of the United Nations recruitment process and procurement procedures. During the period under review, the Office made in-depth evaluations of programmes on the advancement of women and global development trends, issues and policies, and conducted inspections of the Office for the Coordination of Humanitarian Affairs, the United Nations Environment Programme and the United Nations Centre for Human Settlements (Habitat).

After having been in office for about six months, I have made a number of initial observations about the Office of Internal Oversight Services and how it accomplishes its work. These areas will no doubt have to be examined in greater depth before I propose any substantive changes to the structure and methods of the Office. That being said, I am committed to ensuring that the Office fulfils the mandates established by the General Assembly and works as a full partner with management in bringing about the changes needed for the continuous improvement of programme performance, management accountability, and the economy and efficiency of United Nations operations.

As the pace of United Nations activities has intensified over the past 12 months, so has the need to improve the oversight services provided by the Office of Internal Oversight Services. Even with the improved coverage of the Organization's activities, however, it is unlikely that the Office, with the current level of resources, will be able to provide the full range of oversight services to all newly established extrabudgetary activities, as well as existing United Nations funds and programmes. We will have to seek ways to better leverage the resources of the Office. To strengthen oversight in the funds and programmes, the Office will propose the establishment of oversight committees in these bodies, similar to those that exist in the United Nations Development Programme and the Office of the United Nations High Commissioner for Refugees — committees in which the Office of Internal Oversight Services plays an active role. The Office of Internal Oversight Services must also continue to be a model and catalyst for all entities within the United Nations system to strengthen their oversight capabilities.

With the increasing level of humanitarian, development and peacekeeping activities, the United Nations is becoming more and more field-based. In line with this shift, a greater level of authority has been

delegated to staff away from Headquarters in such areas as procurement and human resources management. This poses a challenge in ensuring that proper controls and procedures are in place in the field, and that adequate checks and balances exist. Currently, about 70 per cent of the staff strength of the Office of Internal Oversight Services is deployed at United Nations Headquarters, with the remainder of the staff based at the United Nations Offices at Geneva and Nairobi, and in peacekeeping missions. To ensure adequate oversight of these field-based activities, the Office will have to re-examine its existing allocation of resources, structure, and working arrangements and processes.

Peacekeeping is likely to continue to be a priority area for the Office of Internal Oversight Services. Resident auditors are currently deployed by the Office in all of the major peacekeeping missions. When these operations take on additional challenges, such as peacemaking and the establishment of transitional authorities, as was done in Kosovo and East Timor, it is essential to put in place internal controls and ensure that no one exploits the lack of a proper civil administration for personal gain. The oversight responsibilities of the Office will have to take on a new dimension, which needs to be fully addressed.

The Office of Internal Oversight Services has striven to further its partnership with the Member States and managers at all levels of the Organization. I believe that although the Office has had some success in this area, more needs to be done. Towards this end, the Office convened a workshop for its senior staff late in September 2000 to address strategic oversight issues including, inter alia, the value added to the Organization and the image projected by the Office of Internal Oversight Services. I intend to make concerted efforts to improve relationships with management and all Member States. Through this open and continuous dialogue, I hope to build a trusting relationship. Ultimately, of course, what matters is the quality of the work produced by the Office and the significance and impact of its recommendations. In this regard, it is incumbent upon the Office to become familiar with, and use up-to-date, oversight techniques and procedures, comparable to those used by enlightened oversight entities in the private and public sector. This, in turn, will require the necessary resources to provide opportunities for upgrading the skills and competencies of the staff of the Office; and to procure appropriate information technology tools, the services of outside consultants and innovative methods of service delivery.

A key to the success of the Office of Internal Oversight Services to date has been its independence. As noted by my predecessor, this independence has never been compromised, and the Office has been free to examine any activity of the Organization without hindrance. I am pleased to state that the Secretary-General has assured me of his continued unstinting support in that regard.

The new millennium will bring forth significant new priorities and initiatives for the United Nations. This will mean similar new challenges for the Office of Internal Oversight Services as it strives to maintain the high levels of efficiency, effectiveness and professionalism worthy of a world-class Organization.

(*Signed*) Dileep **Nair**
Under-Secretary-General for
Internal Oversight Services

New York, 25 September 2000

I
General management of the Office of Internal Oversight Services

A. Introduction

1. The General Assembly, in its resolution 48/218 B of 29 July 1994, established the Office of Internal Oversight Services, with the intention of enhancing oversight functions within the United Nations, in view of the increased importance, cost and complexity of the Organization's activities, through intensified evaluation, audit, inspection, investigation and compliance monitoring. The Assembly stressed the proactive and advisory role of the new Office and the expectation that it would give assistance and provide methodological support to programme managers in the effective discharge of their responsibilities. By its decision 48/323 of 24 August 1994, the Assembly approved the nomination of Karl Th. Paschke as Under-Secretary-General for Internal Oversight Services. He assumed his duties on 15 November 1994 for a non-renewable, non-extendable fixed term of five years, which ended on 14 November 1999.

2. Upon the expiration of the term of the first Under-Secretary-General on 15 November 1999, the Secretary-General appointed Under-Secretary-General Hans Corell as Overseer of the Office until the selection and appointment of a new Under-Secretary-General. On 21 February 2000, the Secretary-General proposed the appointment of Dileep Nair (Singapore) as Under-Secretary-General for Internal Oversight Services. The appointment of Mr. Nair was approved by the General Assembly in its decision 54/320 of 2 March 2000, and he took up his duties on 24 April.

3. On 17 September 1999, the General Assembly, on the recommendation of the General Committee, decided to include in the agenda of its fifty-fourth session the item entitled "Review of the implementation of General Assembly resolution 48/218 B" and to allocate it to the Fifth Committee for consideration. The Fifth Committee reviewed the functions and reporting procedures of the Office of Internal Oversight Services, as called for in paragraph 13 of resolution 48/218 B. On the recommendation of the Fifth Committee (A/54/673, sect. III), the Assembly adopted resolution 54/244 of 23 December 1999, in which it set out a number of provisions concerning the Office, under the headings of reporting, functions, coordination, funds and programmes, investigations and operational independence. Subject to those provisions, the Assembly reaffirmed its resolution 48/218 B.

4. A number of administrative issuances have elaborated on the role of the Office of Internal Oversight Services. In accordance with the Secretary-General's bulletin ST/SGB/273 of 7 September 1994, the Office exercises operational independence under the authority of the Secretary-General in the conduct of its duties and has the authority to initiate, carry out and report on any action which it considers necessary to fulfil its responsibilities with regard to monitoring, internal audit, inspection, evaluation and investigations. Administrative instruction ST/AI/397 of 7 September 1994 and information circular ST/IC/1996/29 of 25 April 1996 also elaborated on the role of the Office.

5. In keeping with the need for the operational independence of the Office and under a separate delegation of authority from the Secretary-General (see ST/AI/401 of 18 January 1995), the Under-Secretary-General for Internal Oversight Services exercises the degree of latitude and control over the personnel and resources of the Office, consistent with United Nations regulations and rules. To advise the Under-Secretary-General on personnel matters, the Secretary-General has established a separate Appointment and Promotion Panel. During the reporting period, the Panel considered 31 cases of appointment, promotion and placement. At present, the Office has a total of 132 posts: 94 Professional and 38 General Service. Forty-five of these posts are funded from extrabudgetary resources. For the biennium 2000-2001, the resources of the Office total $29.2 million, of which $10 million is funded from extrabudgetary resources.

B. Monitoring the implementation of the recommendations of the Office of Internal Oversight Services

6. As required by its mandate, the Office of Internal Oversight Services reports to the Secretary-General on

the status of implementation of its recommendations, on a semi-annual basis. Two such reports have been submitted to the Secretary-General since the most recent annual report of the Office, covering the periods from 1 July to 31 December 1999 and from 1 January to 30 June 2000. A computerized monitoring system tracks the recommendations issued by the Office. The full implementation of its audit, inspection, evaluation and investigation recommendations continues to be a strong focus of the Office and results in a continuous dialogue between the Office and its clients. Greater consultation takes place before recommendations are finalized so as to ensure their quality and usefulness to management, which in turn has an impact on implementation.

7. Monitoring the implementation of the recommendations of the Office is important for: (a) measuring improvements in the level of compliance; (b) determination of the impact of the office on the Organization; and (c) strategic planning of future oversight activities. In recent semi-annual reports to the Secretary-General, the Office has begun a process of analysing the effects that its recommendations have had on the various functional areas for each of its client departments.

As a measure to improve the monitoring and reporting of its recommendations, the Office has recently developed specific criteria for identifying those recommendations that have a significant impact on client operations.

8. As a measure to improve the monitoring and reporting of its recommendations, the Office has recently developed specific criteria for identifying those recommendations that have a significant impact on client operations and warrant special monitoring and follow-up. These criteria will be used in reporting on the recommendations of the Office in the next reporting period and include, inter alia, recommendations calling for:

(a) Changes to United Nations regulations, rules and policies;

(b) Substantive changes in organizational structures and reporting relationships;

(c) Action on savings, recoveries or prevention of unjustified expenditures of more than $25,000;

(d) Holding managers and staff accountable for fraud, waste and abuse;

(e) Actions requiring the concurrence of governing bodies or accomplishment by a host Government.

9. During the current reporting period, 1 July 1999 to 30 June 2000, the Audit and Management Consulting Division issued 825 recommendations, of which 50 per cent were implemented (see box I below), and the Investigations Section issued 106 recommendations, of which 50 per cent were implemented. The Central Monitoring and Inspections Unit issued 37 recommendations, of which 9, or 24 per cent, were implemented. The Central Evaluation Unit issued 37 recommendations to the Committee for Programme and Coordination at its fortieth session; the action taken by the Committee in that regard is described in paragraphs 180 to 185 below. A listing of all reports prepared by the Office of Internal Oversight Services during the period under review appears in annex II.

10. As shown in box II below, the Office identified and recommended $17 million in cost savings and recoveries during the year under review, and realized savings and recoveries amounting to $5.3 million. These amounts were substantially lower than the record cost savings reported in the previous reporting period ($37.8 million and $23.5 million, respectively). This decline was attributable to several factors.

11. First, during the current reporting period, the audits carried out by the Office focused more heavily on policy and programmatic issues. These audits typically result in recommendations to improve overall management and programme effectiveness, which are difficult to quantify. Second, a large portion of the savings and recoveries reported during the previous reporting period resulted from audits of the liquidation of large peacekeeping missions in Angola and the former Yugoslavia. For example, an audit of central support services for peacekeeping missions in the former Yugoslavia identified and recommended $4.7 million in potential cost savings, nearly $4 million of which was realized as a result of the implementation by management of recommendations of the Office. Opportunities for identifying similar substantial cost savings were limited during the current reporting period.

12. A breakdown of recommendations issued by the Office during the period from 1 July 1999 to 30 June 2000, by the nature of their intended impact, is shown in box III below.

C. Management consulting activities

13. The Office of Internal Oversight Services continued to gain credibility as an internal consulting resource and as an alternative to external consulting firms. Its familiarity with internal policies and operating procedures helps to reduce the learning curve and enables its consultants to make realistic and cost-effective recommendations to their client departments and offices. During the year under review, the Office devoted a substantial level of resources to a management consulting assignment requested by the Department of Political Affairs. This internal consulting assignment, conducted by the Audit and Management Consulting Division of the Office, assessed the resource requirements, major workflow processes and support infrastructures of the Department. The results of this assignment were well received by the Department (see paras. 120 and 121 below).

The Office continued to gain credibility as an internal consulting resource and as an alternative to external consulting firms.

D. Priorities

14. In its first annual report (A/50/459, annex), the Office of Internal Oversight Services identified three priority areas for oversight: peacekeeping; humanitarian and related activities; and procurement. In the period covered by the second annual report (A/51/432, annex), the problems associated with establishing new bodies was also treated as a priority. The General Assembly, in the annex to its resolution 51/241 of 31 July 1997, identified several areas that warranted more intensive review by the United Nations oversight bodies. Since many of these areas are in the field of human resources management, the Office in 1999 added this area to its oversight priorities.

15. The priority areas for oversight for the period under review were peacekeeping operations, humanitarian and related activities, human resources management and procurement.

E. Enhancing internal oversight in operational funds and programmes

16. During the reporting period, the Fifth Committee once more briefly took up the report of the Secretary-General on enhancing the internal oversight mechanisms in operational funds and programmes (A/51/801) but it has not yet concluded its deliberations. Nevertheless, many of the funds and programmes maintain close cooperation with the Office of Internal Oversight Services and have taken their own steps to enhance internal oversight. The Investigations Section continues to provide assistance to several funds and programmes.

17. The General Assembly, by resolution 54/244 of 23 December 1999, requested the Secretary-General to update the information contained in the above-mentioned report. The Office is preparing the updated report on behalf of the Secretary-General and had requested the heads of funds and programmes to provide information on changes and other issues related to their oversight mechanisms. The Office is currently analysing this information and will provide the results of its analysis to the Secretary-General for submission to the General Assembly.

F. Audits of the United Nations Joint Staff Pension Fund

18. During the reporting period, the Office of Internal Oversight Services conducted comprehensive audits of the receipt and reconciliation of pension contributions, cash management in the investment operations area, and the processing of pension entitlements. In addition, the Office conducted a review to verify the extent to which previous audit recommendations had been implemented by the central secretariat of the Fund.

19. As agreed with the Fund, the audit findings and recommendations of the Office were communicated in detail to the Chief Executive Officer of the Fund and in a summary report which is submitted on a biennial basis to the United Nations Joint Staff Pension Board, through its Secretary. The most recent report submitted by the Office to the Board covered the operations of the Fund during the period from 1 May 1998 to 30 April 2000.

G. Coordination with other oversight bodies

20. The growing tendency of internal oversight bodies in different parts of the United Nations system to work together, share experiences and best practices, benefit from lessons learned, and provide assistance to each other, continues. The Office of Internal Oversight Services participates on a regular basis in the annual meetings of the heads of internal audit bodies of the United Nations and multilateral financial institutions. The most recent meeting was held in Rome, in June 2000. As discussed in paragraph 81 below, that meeting, inter alia, provided the Office of Internal Oversight Services with a forum to present its views on strengthening audit coordination in the oil-for-food programme. The Office is scheduled to host the next annual conference of internal audit bodies in 2001.

21. During the past year, the Office has continued to coordinate and cooperate with both the Board of Auditors and the Joint Inspection Unit. The third tripartite meeting was held in New York in the autumn of 1999 (northern hemisphere). Issues of common interest were discussed, including internal oversight of jointly financed activities, information technology as an oversight tool and implementation of recommendations. Meetings were also held on a regular basis with the Board of Auditors during the course of the year in order to coordinate workplans and share information so as to avoid duplication.

22. Since the Investigations Section of the Office is the only unit in the United Nations system dedicated exclusively to the conduct of investigations by professional investigators, other oversight offices, both within and outside the United Nations system, seek its experience and advice on a regular basis. In order to provide a forum in which common problems and expertise can be discussed, the Section initiated and sponsored the first Conference of Investigators of the United Nations System, which was held at United Nations Headquarters in September 1999. The positive reception to this forum resulted in a follow-up Conference, which was held in Rome in June 2000 and sponsored by the Inspector General of the World Food Programme. The World Bank will host the third Conference in Washington, D.C., in 2001.

23. The expertise and advice of the investigators of the Section is also sought in other international forums. During the reporting period, the Section was invited to participate in several conferences, including: the Ninth International Anti-Corruption Conference held at Durban, South Africa, from 10 to 15 October 1999; the Tenth United Nations Congress on the Prevention of Crime and the Treatment of Offenders, held at Vienna from 10 to 17 April 2000; the Second International Conference on Corruption-Related Crime, held at Interpol headquarters at Lyon, France, in June 2000; and the Fifth International Financial Fraud Convention, held in London in June 2000. Conferences such as these provide an opportunity for staff of the Section to liaise with others who work in the investigative profession, and provide an opportunity for the sharing of information.

24. As part of its efforts to strengthen oversight within the United Nations system, the Office of Internal Oversight Services continues to provide, under memoranda of understanding, internal audit services to the Office of the United Nations High Commissioner for Refugees (UNHCR), the International Trade Centre (ITC) and the United Nations Compensation Commission. Audit services are also provided to the United Nations Environment Programme (UNEP), the United Nations Centre for Human Settlements (Habitat), the United Nations International Drug Control Programme, the Office of the Iraq Programme and the United Nations Joint Staff Pension Fund. These arrangements have been recognized by management as a beneficial and efficient means of providing audit services. The initial level of audit resources has been augmented in some cases, but need to be further strengthened in order for the Office of Internal Oversight Services to provide the expected level of service to these clients.

I. Implementation rates for audit recommendations of the Office of Internal Oversight Services

Period covered[a]	*Number of recommendations*[b]	*Percentage implementation rate as at*			
		30 June 1997	*30 June 1998*	*30 June 1999*	*30 June 2000*
1 July 1996-30 June 1997	805	48	70	83	85
1 July 1997-30 June 1998	673	-	43	70	75
1 July 1998-30 June 1999	871	-	-	37	82
1 July 1999-30 June 2000	825	-	-	-	50[c]
Total or average	**3 174**	**48**	**57**	**63**	**73**

[a] Recommendations for the period from 1 October 1994 to 30 June 1996 have been closed; no further follow-up action will be taken by the Office; the implementation rate for the 4,042 recommendations is 80 per cent.

[b] Reflects only those recommendations made in final communications (i.e., reports or memoranda to heads of departments or offices). The figures differ slightly from those reported in prior years owing to a reclassification exercise undertaken by the Office of Internal Oversight Services during the reporting period.

[c] Implementation rate based on recommendations for which replies were received as at 8 August 2000.

II. Cost savings and recoveries resulting from actions of the Office of Internal Oversight Services, 1 July 1999-30 June 2000[a]

(Millions of United States dollars)

Nature of financial implications	*Amount identified and recommended*	*Savings and recoveries*
Loss or waste of resources	4.3	0.5
Recoveries (one-time)	6.4	0.9
Expenditure reduction (one-time)	1.8	1.2
Expenditure reduction (recurring)	3.1	1.2
Additional income (one-time)	0.6	-
Additional income (recurring)	-	-
Recovery of fraudulent amounts	0.8	1.5
Total	**17.0**	**5.3**

[a] Includes $800,000 which had been identified in the previous reporting period but was recovered in the current reporting period.

III. Nature of intended impact of the recommendations of the Office of Internal Oversight Services to United Nations managers, 1 July 1999-30 June 2000

Nature of intended impact	*Audit and Management Consulting Division*[a]	*Central Evaluation Unit*	*Central Monitoring and Inspection Unit*	*Investigations Section*[b]	*Total*	*Percentage*
	(Number of recommendations)					
Improved operational efficiency or effectiveness	319	-	27	12	358	37.0
Improved management control	263	-	10	10	283	29.2
Improved management structure	24	-	-	2	26	2.7
Improved accuracy or reliability of financial or management information	191	-	-	20	211	21.8
Improved physical security or safety	5	-	-	4	9	1.0
Disclosure and correction of mismanagement	17	-	-	24	41	4.2
Disclosure and correction of misconduct or fraud	6	-	-	34	40	4.1
Total	**825**		**37**	**106**	**968**	**100**
Recommendations made to the Committee for Programme and Coordination in evaluation reports		37				

[a] Includes the Section dealing with the Office of the United Nations High Commissioner for Refugees.
[b] Published reports only, as listed in annex II to the present report.

II
Priority areas for oversight

A. Peacekeeping

1. Audit coverage of peacekeeping operations

25. Audits of peacekeeping operations continued to be a priority area for the Office of Internal Oversight Services. Between 1 July 1999 and 30 June 2000, the Organization experienced a surge in peacekeeping operations. As a result, expenditure on peacekeeping missions has increased significantly, growing from $837.8 million between 1 July 1998 and 30 June 1999 to more than $2 billion (budgeted) during the year under review. Several large, multifaceted missions, including the United Nations Interim Administration Mission in Kosovo (UNMIK), the United Nations Mission in East Timor (UNAMET) and its successor, the United Nations Transitional Administration in East Timor (UNTAET), the United Nations Mission in Sierra Leone (UNAMSIL) and, more recently, the United Nations Organization Mission in the Democratic Republic of the Congo (MONUC) emerged during this period.

26. In addition to expanding the audit coverage of the Department of Peacekeeping Operations, audits were conducted at 11 missions in the field during the reporting period. The resident auditors of the Office posted to UNMIK, UNAMSIL, UNTAET, MONUC and the United Nations Mission in Bosnia and Herzegovina (UNMIBH) have provided continuous audit coverage at those peacekeeping missions, while also assisting management to establish appropriate internal controls during the start-up phase of the mission.

(a) Resident auditor activities at the United Nations Interim Administration Mission in Kosovo

27. The rapid deployment of UNMIK resulted in deficiencies and irregularities in the recruitment of local staff members. Their grades and hourly salary rates did not conform with the applicable guidelines of the Office of Human Resources Management. The salary scales were not properly applied and specific working hours were not established. The Mission corrected the deficiencies when converting the appointments of local staff to the 300 series of the Staff Rules. Also, official working hours were established effective January 2000.

A payroll audit revealed that software problems had resulted in overpayments of the mission subsistence allowance, totalling approximately $324,000.

28. A financial management audit highlighted the need for strengthening internal controls over the verification and certification of documents before effecting disbursements and reimbursements. A payroll audit revealed that software problems had resulted in overpayments of the mission subsistence allowance, totalling approximately $324,000. Based on the recommendation of the Office, UNMIK recovered these amounts.

29. The Mission awarded a construction contract to a vendor who subsequently indicated that he was not able to perform the work in accordance with his offer. Instead of terminating the contract, UNMIK negotiated with the vendor and increased the contract price by nearly 20 per cent, without adequate justification. Since the original contract had been approved by the local and headquarters level committees on contracts, the auditors recommended that the amendment be submitted to those bodies because there had been substantial modifications to the scope of the work. The Mission expressed the view that the increase was within the authority delegated to UNMIK, and that it was justified by the changes made in the statement of work. The Office is, however, of the opinion that the contract amendment should have been referred to the committees on contracts that had previously reviewed the case. The Office is working with the Department of Peacekeeping Operations to resolve this matter.

30. An audit of property management revealed that assets worth more than $273,000, which had been transferred from the United Nations Preventive Deployment Force, had not been received. There were also delays in locating and accounting for assets transferred from other missions. The Department of Peacekeeping Operations confirmed that all of these assets had since been received by UNMIK and were properly accounted for.

(b) Resident audit at the United Nations Mission in Bosnia and Herzegovina

31. The resident auditor at UNMIBH determined that the Mission could better utilize civilian police monitors of the International Police Task Force. Routine administrative functions should have been assigned to local staff so that the police monitors could be more productively deployed to the priority areas vital to accomplishing the mandate of the Mission. In areas such as logistics, personnel and trust funds, there was a duplication of effort by the police monitors and the UNMIBH civilian administration, both at mission headquarters at Sarajevo and at the regional offices. The management of the International Police Task Force accepted the recommendations of the Office and reassigned 35 monitors engaged in logistics, personnel and trust fund activities to priority substantive tasks.

32. A review of the transport workshops at UNMIBH revealed serious weaknesses in management controls over the inventory of stores and spare parts. Further, assets valued at approximately $198,000, which should have been reviewed by the property survey boards, had been written off and removed from inventory without proper review. Management took appropriate corrective action in response to the audit findings.

33. The resident auditor also identified irregularities in the procurement process. Requisitioners had asked contractors to proceed with work without adhering to procurement procedures. A major conference was organized without competitive bidding or the solicitation of proposals. The work of arranging the conference had been awarded by invoking an exception to financial rules which no longer existed. The Department of Peacekeeping Operations indicated that all section chiefs had been cautioned that violation of the rules of the Organization could result in the concerned staff members being held financially responsible.

(c) Audits of the United Nations Mission in East Timor and the United Nations Transitional Administration in East Timor

34. In July 1999, the resident auditor assigned to UNAMET made recommendations aimed at establishing proper controls over financial and administrative activities. The implementation of those recommendations was interrupted by the outbreak of violence and the evacuation of most mission staff in September 1999. A subsequent audit conducted by a team from Headquarters identified shortcomings in the controls over the finances of the mission, inadequacies in the maintenance of attendance and leave records, and in the management of trust fund projects. The mission is addressing the weaknesses identified by the Office.

(d) Field audits of peacekeeping missions

(i) United Nations Civilian Police Mission in Haiti

35. An audit of the United Nations Civilian Police Mission in Haiti (MIPONUH) identified a number of weaknesses in financial controls. The back-up and recovery arrangements for its computerized data were found to be inadequate. There were cases in which limited duration appointments were extended beyond the allowable four years of service. Staff employed under special service agreements were used on a long-term basis to augment regular posts under the authorized staffing table. Poor management of attendance and leave records resulted in inflated leave balances, and six international civilian police officers had to be repatriated early because they did not possess the required French language skills. Management informed the Office of Internal Oversight Services that the Office of Human Resources Management was studying questions surrounding the use of limited duration appointments. Management also advised that the other shortcomings identified by the audit had been corrected.

36. Approximately 40 per cent of the administrative costs of MIPONUH related to the support of the joint International Civilian Mission of the United Nations and the Organization of American States (OAS), and expenditure that was to be reimbursed by OAS was often submitted late. Management advised that it had expedited billing of OAS for reimbursable expenditure. Construction of the national police stations was significantly delayed owing to the inability of the contractor to meet the terms of the contract. The Mission took steps to facilitate completion of the stations and agreed that a number of lessons had been learned from this experience.

(ii) United Nations Mission of Observers in Tajikistan

37. The auditors found that attendance and leave records for military observers with the United Nations Mission of Observers in Tajikistan were not properly

certified or monitored, and in some cases, compensatory time off was approved without adequate justification. The Mission had not been exempted from making local value added tax (VAT) payments to the Government. Under article 8 of the Convention on the Privileges and Immunities of the United Nations, which was made applicable to the Mission through an exchange of letters, the Government is legally obligated to refund the VAT payments. In this regard, the Office of Legal Affairs recommended that the Mission request the Government to refund the VAT payments already made. Since this problem had been recurring in other peacekeeping operations, a provision exempting the United Nations from VAT has been added to the more recent status of mission forces agreements with host governments. Further improvements were recommended in such areas as processing property survey cases, contractual arrangements with the provider of air charter services, property storage, and security of the cashier's office. The Mission implemented all of the recommendations of the Office of Internal Oversight Services.

(iii) United Nations Mission in the Central African Republic

38. The liquidation of the United Nations Mission in the Central African Republic was carried out as scheduled, however, its staff were not familiar with the disposal module of the field assets control system and, as a result, recommendations for writing off non-expendable property were not recorded in the inventory records. The Department of Peacekeeping Operations advised that the necessary training was provided in May 2000. The justification for purchases based on immediate operational requirements was not recorded. The Department informed the Office of Internal Oversight Services that it had written to all missions and reminded them to ensure full compliance with rules governing exigency procurement. The audit also showed that payments to one supplier had not taken account of a 10 per cent discount offered by the supplier. The Mission subsequently corrected this payment.

(iv) United Nations Observer Mission in Angola

39. A follow-up audit to assess the progress made in liquidating the United Nations Observer Mission in Angola (MONUA) found that one of the major restraints to completing the liquidation was the continuing difficulty in obtaining the approval of the Government to dispose of MONUA assets. While this was beyond the control of MONUA, the problem demonstrated the importance of having a sound status of forces agreement designed to protect the interests of the Organization. Management agreed with the recommendations of the Office of Internal Oversight Services in this regard, and stated that including a specific provision for the disposal of assets in the status of forces agreement was one of the major lessons to be learned from the liquidation.

40. Since MONUA withdrew from the region due to a resumption of hostilities, it was necessary to leave certain assets in the custody of other United Nations organizations, non-governmental organizations and the Government. Follow-up with those organizations to determine their interest in purchasing the assets was, however, inadequate. The Office also found that about $290,000 owed to the Mission by the staff-operated post exchange had not been reimbursed. Management informed the Office that this amount has since been recovered.

(c) Audits at the Department of Peacekeeping Operations

(i) Audit of contingent-owned equipment procedures and payments to troop-contributing countries

41. The audit of contingent-owned equipment procedures and payments to troop-contributing countries focused on implementation of the revised procedures for reimbursing troop-contributing countries for the contingent-owned equipment used in peacekeeping operations. The Office of Internal Oversight Services summarized the results of this audit in a report transmitted to the General Assembly (A/54/765 and Corr.1).

42. The audit concluded that the revised procedures had largely achieved the objective of simplifying reimbursements to troop-contributing countries, resulting in greater economy and efficiency. Negotiating the memoranda of understanding with troop-contributing countries, however, proved to be a very time-consuming process and the implementation of those procedures needed to be improved. Existing reporting procedures required a lengthy processing cycle, and delayed payments to the troop-contributing countries. At the time of the audit, there was a large backlog of claims amounting to over $460 million.

A $2.6 million claim had been submitted for the painting and repainting of equipment. After further negotiations, the claim was reduced to $1.07 million.

43. Procedures for reimbursing troop-contributing countries for the costs of inland transportation and preparation of contingent-owned equipment did not comply with the financial and procurement rules of the Organization. Furthermore, some reimbursements were not adequately justified. In one case, a $2.6 million claim had been submitted for the painting and repainting of equipment. Review by the Department of Peacekeeping Operations indicated that a more realistic estimate of the cost was approximately $750,000 less than the amount claimed and, after further negotiations, the claim was reduced to $1.07 million. The Office of Internal Oversight Services recommended, inter alia, that consideration be given to establishing standard rates for the reimbursement of inland transportation and preparation costs. The Department agreed with most of the recommendations of the Office and has taken steps to implement them.

(ii) Audit of the global vehicle procurement project

44. The global vehicle procurement project represented a successful attempt by the Organization to standardize the peacekeeping vehicle fleet, reduce the number of suppliers and identify the best suppliers of each type of vehicle required. For example, the first purchases under this project in 1997 produced savings of $6.2 million over the costs of similar vehicles purchased before the establishment of the contract. The Office of Internal Oversight Services noted, however, several shortcomings in the manner in which the procurement process had been carried out. The time required to plan and implement the project was underestimated. Further, the methodology for evaluating proposals was not comprehensive enough, and several incidents during the exercise raised concern about the transparency of the procurement process. The project eventually took 18 months to complete, extending into the subsequent financial period. Before proposals were received from the vendors, the Department of Peacekeeping Operations initiated an immediate purchase of vehicles in order to use available funding before it lapsed at the end of the financial period. This purchase resulted in the Organization paying approximately $1.2 million more than what the vehicles would have cost under the global vehicle contract. Despite these shortcomings, the Office considers that the project represents a significant step in procurement reform.

2. Audits of mission liquidations

45. In view of the risks inherent in the liquidation of peacekeeping operations, the Office of Internal Oversight Services analysed the audits of eight peacekeeping missions that were undergoing liquidation between 1996 and 1999; the results were transmitted to the General Assembly in September 1999 (see A/54/394 and Corr.1).

46. It was found that several factors, including inadequate guidance, had impeded the efficient liquidation of peacekeeping missions. The provisional guidelines for the liquidation of peacekeeping missions issued in 1996, which were the main source of guidance for liquidating missions, were too general and needed to be updated. The Department of Peacekeeping Operations informed the Office that the lessons learned from the liquidation of the United Nations Transitional Administration for Eastern Slavonia, Baranja and Western Sirmium during 1998 had been incorporated into the guidelines used in the liquidation of missions during 1999 and 2000.

The field asset control system of the Department of Peacekeeping Operations had not been fully implemented and, as a result, there was no common system for recording assets.

47. The review indicated that the Department of Peacekeeping Operations needed to improve its activities in disposing of United Nations-owned equipment. The field asset control system of the Department had not been fully implemented and, as a result, there was no common system for recording assets. The Department also needed to focus on improving inventory controls, reassessing the policy for transferring assets to other missions or to the United Nations Logistics Base at Brindisi, Italy, and establishing standard procedures for the disposal of assets by commercial sale, including auctions. The Department agreed with most of the recommendations of the Office but indicated that standard operating procedures could only be developed if sufficient resources were available.

3. Investigations in peacekeeping missions

48. In the reporting period, the Investigations Section of the Office of Internal Oversight Services continued to work on 52 pending cases in peacekeeping operations and commenced work on 48 new cases, which constituted 17 per cent of the 287 cases received.

(a) Travel fraud case at the United Nations Mission in Bosnia and Herzegovina

49. As discussed in the most recent annual report of the Office of International Oversight Services (A/54/393, annex), evidence adduced by the Investigations Section of the Office showed that the former Chief of the Traffic and Travel Unit of UNMIBH had initiated conspiracies with a local travel agent and with an airline employee to submit fraudulent invoices for excess baggage charges. These criminal actions resulted in a loss of approximately $800,000 to the Organization. The Chief was subsequently tried and convicted in a United States district court on five counts of international wire fraud and conspiracy to commit international wire fraud. He has been sentenced to 41 months in federal prison, and ordered to make restitution to the Organization. To date, the Chief, who is currently serving his prison sentence, has made one payment of $110,000 to the United Nations. The Investigations Section continues to cooperate with Croatian authorities to secure the prosecution of accomplices and restitution of the money they obtained through fraud. The results of this investigation were transmitted to the General Assembly (see A/54/683).

(b) Aviation safety review at peacekeeping missions

50. Following recommendations made by the Office of Internal Oversight Services in several investigative reports in 1997 concerning aviation procurement and management practices, and the crash in 1999 of the World Food Programme aircraft in Kosovo, in which a number of United Nations staff members were killed, the Secretary-General requested an independent review of aviation safety in United Nations peacekeeping operations. The International Civil Aviation Organization (ICAO) was engaged to conduct a review of both headquarters and field aviation activities between December 1999 and April 2000. The Investigations Section acted as an oversight liaison point between the ICAO team and the substantive departments of the United Nations Secretariat. The Section provided assistance to the ICAO team at Headquarters and accompanied the team in visits to four peacekeeping missions. The report of ICAO has recently been released to the Department of Peacekeeping Operations for its action.

(c) Wire fraud case: United Nations Observer Mission in Angola

51. During the reporting period, the Investigations Section of the Office of Internal Oversight Services received a report of fraud concerning four faxes received by the United Nations Federal Credit Union in June and July 1999, requesting it to perform wire transfers of funds from the private bank accounts of two former staff members of MONUA to bank accounts established by others at financial institutions in the Netherlands and Angola.

52. The evidence obtained during the course of the investigation revealed that the faxes were not issued by or on behalf of the staff members whose names were used in making the requests. The findings in this case indicated that a locally recruited former staff member of MONUA was responsible. The Office recommended that the information contained in the investigation report be made available to national law enforcement authorities for further inquiry. The Department of Peacekeeping Operations agreed with this recommendation and requested the Office to act upon it. The Department also notified the United Nations office in Angola, advising that the individual in question should not be offered employment by the Organization. Corrective measures were instituted at the mission level, and the Department has undertaken to ensure that the same measures have been put in place in all missions.

(d) United Nations Interim Administration Mission in Kosovo

53. The Investigations Section of the Office also has been actively involved in matters in Kosovo, both in the peacekeeping mission and with the interim administration. Its reports have been designed to help mission managers to address areas at risk of fraud and loss to the Organization, including improved cash security, strengthened management accountability and transparency in contract processes.

B. Humanitarian and related activities

1. Office of the United Nations High Commissioner for Refugees

(a) Audits

54. Under the terms of the memorandum of understanding of 29 April 1999, the Office of Internal Oversight Services, through its Audit Section based at UNHCR, Geneva, provides internal audit services for UNHCR. During the reporting period, the Office audited UNHCR operations in 35 countries in Africa, Asia and the Pacific, Europe and the Americas. These audits covered operations with a total expenditure of nearly $400 million in 1999, or 38 per cent of the total expenditure of UNHCR of $1,045 million. The audits focused on programme management by UNHCR and its implementing partners, as well as UNHCR field office administration and finance. The auditors visited the headquarters of seven international implementing partners. At UNHCR headquarters, the Office audited the service agreement of UNHCR with the United Nations International Computing Centre, and the financial reporting by UNHCR of earmarked contributions.

55. The UNHCR Audit Section issued approximately 150 audit observations communicating audit findings and recommendations to UNHCR managers in the field and at headquarters. A total of 24 audit reports were issued to UNHCR senior management. These reports contained 240 recommendations, mainly related to the functional areas of financial and programme management.

56. Three resident auditors have been outposted to Nairobi and Abidjan to cover UNHCR decentralized operations in Africa and to provide audit information and management advice to the regional directors. As a temporary measure, resident auditors have also been assigned to the UNHCR emergency operations in Kosovo and on Timor. The presence of auditors in emergency operations enables problems and/or potential problems to be more readily identified and brought to the attention of local management so that remedial action can be taken immediately. The resident auditors on Timor and in Kosovo provided UNHCR management with advice and assistance for the improvement of operations, including internal controls and accounting systems.

(i) Review of implementing partners

57. In 1999, more than $380 million of UNHCR programme expenditures were disbursed through its implementing partners. Therefore, this area continued to be a priority for audits by the Office of International Oversight Services, which focused on assessing the ability of implementing partners to manage UNHCR project activities, and which were aimed at ensuring that UNHCR funds were adequately controlled and reported. The Office made a number of proposals to clarify and amend the governing clauses of UNHCR agreements with implementing partners. The proposals strengthen the policies, procedures and systems of the implementing partners over UNHCR assets. UNHCR has accepted most of these recommendations and has revised the programme manual and model agreement accordingly.

58. The main audit objective of the Office was to determine whether the financial reports submitted by implementing partners were accurate and complete and reflected the appropriate level of project implementation. While in many instances a level of assurance could be obtained as to the completeness and accuracy of financial reports, this was not always the case. This was a particular problem with newly established local non-governmental partners, which often had not established the accounting, budgetary and other internal systems necessary for managing and controlling UNHCR funds.

59. The lack of pertinent documentation in the field relating to the programme activities of international non-governmental organizations was a continuing problem for the auditors. Often, the accounting data which supported expenditure transactions were divided between the field offices of non-governmental organizations and their headquarters, making audit verification in the field difficult. As a consequence, the Office is now conducting audits at the headquarters of international non-governmental organizations in order to verify documentation that is not available in the field, and to assess whether their financial and procurement systems meet UNHCR requirements. During the reporting period, the Office audited seven international non-governmental organizations responsible for implementing UNHCR projects with a total value of $52 million. In one case, $700,000, or 44 per cent, of the expenditure reported by a non-governmental organization could not be substantiated.

As a result, UNHCR has removed the organization from its list of recommended implementing partners.

60. The delayed closure of the previous year's projects was still an issue of concern. A 1995 audit had found that, in one country, some 50 subprojects were still open, dating back to 1990. A follow-up audit in 1999 disclosed that only limited progress had been made and that there were still outstanding instalments, totalling approximately $12 million, for projects implemented between 1995 and 1997. Almost one half of this outstanding amount related to cases for which financial reports had been submitted to UNHCR but not yet verified and properly recorded in its financial system. In another country, more than 40 outdated subprojects were still open, with outstanding instalments totalling $3.8 million for the years 1994 to 1996. The Office also found that, in several cases, undisputed amounts had not been recovered in a timely manner.

The delayed closure of the previous year's projects was still an issue of concern.

61. In response to the audit findings, UNHCR has closed additional subprojects and recovered significant amounts of unspent funds.

(ii) Exchange rate differences

62. According to UNHCR policy, all subproject budgets should be presented in the currency of implementation; however, UNHCR field offices often established subproject budgets in United States dollars without fully considering the financial implications on the recording and reporting of expenditures. Audits carried out by the Office of Internal Oversight Services revealed that, in many instances, implementing partners realized significant exchange rate gains. These gains were not properly reported in UNHCR project accounts or disclosed in financial reports submitted to UNHCR. Rather, the implementing partners credited the gains to their own accounts either in the field or at headquarters. Where the amounts of such gains could be determined, the Office recommended recovery. In one subproject, the partner offered a refund of $57,000. Other cases are still pending. Difficulties sometimes arose in quantifying exchange gains, since the accounting systems of some partners could not automatically calculate them. The Office believes that exchange rate gains should be avoided or minimized by establishing subproject budgets in the currency of expected expenditure. Where this is not feasible, UNHCR should ensure that exchange rate gains (or losses) are fully disclosed, and that the policies of partners for reporting currency conversions are transparent.

Implementing partners realized significant exchange rate gains that were not properly reported in UNHCR project accounts or disclosed in financial reports submitted to UNHCR.

(iii) Audit certification

63. The Board of Auditors has repeatedly emphasized the need for implementing partners to provide UNHCR with audit certificates that support the disbursement of funds remitted to them. In recent years, compliance with this requirement has increased, in particular by international non-governmental organizations. The Office of Internal Oversight Services has assisted UNHCR in developing a new policy to further increase the compliance rate and improve the quality and relevance of the information provided in audit certificates. In addition, the Office has developed guidelines for the engagement of audit firms for the external audit of UNHCR projects implemented by national non-governmental implementing partners. These guidelines are intended to assist UNHCR field offices in defining audit requirements and preparing letters of engagement, thus ensuring that audit certificates contain the required information. The guidelines will be included in the UNHCR Manual.

(iv) Revolving funds

64. Additional policy guidance is needed in the use of revolving funds (microcredit programmes). Each year, almost $10 million is spent on such programmes, which promote self-sufficiency through income-generation activities. Since UNHCR projects are normally drawn up for a period of one year, whereas revolving funds are expected to continue for a number of years, UNHCR field offices should sign an agreement with implementing partners on the management of revolving funds in order to establish controls and define their legal status. Audits carried out by the Office of Internal Oversight Services revealed that this did not always occur, and that the terms and conditions of revolving fund loans were not always consistent. For example, in one country operation, the

interest rates for comparable loans ranged from 6 per cent to 24 per cent, depending on the implementing partner involved. Given the lack of success of some self-sufficiency projects, revolving funds were no longer actively used, and their value was eroding owing to the devaluation of local currencies. UNHCR is currently revising its operational guidance for revolving funds, which will address the audit findings and recommendations.

(v) Asset management

65. Asset management has repeatedly been highlighted as a problem area. As pointed out by the Board of Auditors in its report for the year ended 31 December 1999,[1] MINDER asset management system introduced in 1995 has not achieved the objectives of ensuring adequate control over UNHCR assets and facilitating the provision of related management information on a country or global basis. The field audits carried out by the Office of Internal Oversight Services of operations with a total asset value of approximately $96 million generally confirmed this assessment, despite intensive efforts by field offices to track, bar-code and record assets. In one country, MINDER showed nearly 400 grounded vehicles as being in active status, thus making the information generated from the system ineffectual for asset management purposes. In 2000, UNHCR replaced MINDER with a new system known as AssetTrak. The new simplified system has significantly reduced the number and types of data required, and is expected to generate more meaningful and reliable information on UNHCR assets. The Office will follow up on its implementation during forthcoming field audits in order to determine whether this expectation has been met.

(vi) Telecommunications

66. An audit of telecommunications at UNHCR headquarters showed that internal controls over the use of telephones and other communication facilities needed to be improved, in particular with respect to access and use of satellite systems. In response to the audit recommendations, UNHCR has taken a number of measures to improve control systems.

(vii) Travel

67. An audit of travel at UNHCR headquarters showed that the workflow for reviewing and processing travel claims was cumbersome and time-consuming, involving the travel units at both UNHCR and the United Nations Office at Geneva. More than 60 per cent of the claims submitted took more than five months to be settled. The Office of Internal Oversight Services recommended that UNHCR pursue with the United Nations Office at Geneva by means of a revised memorandum of understanding, agreed-to service levels, such as average and maximum turn-around times. UNHCR agreed to include this issue in upcoming negotiations with the United Nations Office at Geneva.

(b) Investigations

68. During the reporting period, the Investigations Section of the Office of Internal Oversight Services worked on two matters involving senior UNCHR staff members, in which the evidence obtained indicated that those individuals had violated United Nations regulations and rules. The Office recommended that appropriate action be taken against the individuals. Both matters are under consideration by the appropriate administrative disciplinary bodies.

2. Office for the Coordination of Humanitarian Affairs

69. In its report on the triennial review of the implementation of the recommendations made by the Committee for Programme and Coordination at its thirty-seventh session on the in-depth evaluation of the former Department of Humanitarian Affairs (see E/AC.51/2000/5), the Office of Internal Oversight Services found that implementation of those recommendations had been facilitated by the restructuring, in 1997 and 1998, of the Secretariat machinery responsible for the coordination of humanitarian assistance, which followed the same approach to reform recommended in the in-depth evaluation. The sustained efforts of the Office for the Coordination of Humanitarian Affairs, established in 1998, had brought about significant progress on the issues addressed in these recommendations. The support provided to the Inter-Agency Standing Committee, the main consultative body for humanitarian agencies, had been enhanced. The mechanisms to plan and monitor emergency assistance had been improved. Progress had been also made in addressing gaps in the response to emergencies and in the advocacy of humanitarian concerns.

70. There remained, however, a number of outstanding issues. Rapid response to emergencies was still hindered by the absence of special United Nations administrative and financial rules and procedures suited to emergency situations. The work of the Inter-Agency Standing Committee needed to be more decision-oriented. An effective procedure for sharing lessons learned was still required. Recommendations were made to address these issues.

Rapid response to emergencies was still hindered by the absence of special United Nations administrative and financial rules and procedures suited to emergency situations.

3. Office of the Iraq Programme

71. The Office of the Iraq Programme was established at United Nations Headquarters in 1997 to improve the implementation of the oil-for-food programme. It is also responsible for the Office of the Humanitarian Coordinator in Iraq which monitors the distribution of humanitarian supplies purchased by Iraq, and coordinates the humanitarian programmes being implemented in northern Iraq by nine other United Nations agencies and programmes.

72. Owing to the high value of oil revenues (approximately $30 billion since the inception of the programme) and the complexity of the Organization's responsibilities under the relevant Security Council resolution, the Office of Internal Oversight Services requested additional resources early in 2000 to expand its audit coverage of the activities of the Office of the Iraq Programme, both at Headquarters and in the field. To meet this requirement, a new audit section for the Iraq Programme was established in the Audit and Management Consulting Division of the Office of Internal Oversight Services. One of the main tasks of this section is to ensure that audit activities are coordinated with the internal audit bodies of the United Nations agencies and programmes which are implementing projects in northern Iraq in accordance with the provisions of Security Council resolution 986 (1995) of 14 April 1995. A summary of the audits conducted during the reporting period follows.

(i) Contract for the supply of inspection agents in Iraq under the oil-for-food programme

73. The audit carried out by the Office of Internal Oversight Services of a contract for the supply of inspection agents to monitor goods entering Iraq found that the contractor had unilaterally deployed the full complement of 32 agents, even though the Department of Political Affairs had requested that it be done in stages. In the view of the Office, a substantial portion of the expenditures, amounting to about $1.97 million, could have been avoided if the deployment of the inspection agents had been more closely monitored. However, the Office of the Iraq Programme noted that some members of the Security Council Committee established by resolution 661 (1990) of 6 August 1990 had insisted on deploying the full complement of inspectors in December 1996, before the commencement of the contract approval process. The Office of the Iraq Programme also stated that the time between the deployment of the agents and the arrival of the first humanitarian supplies was used to prepare guidelines and procedures for processing the supplies, and could not be considered unproductive time.

74. The Office of Internal Oversight Services estimated that the contractor had charged the United Nations approximately $1.4 million for 1,800 days during which the agents were travelling and not physically at their designated sites. Although the contract did not specifically provide for payment of travel time, the Office of the Iraq Programme interpreted it to include payment for travel time, as had the Department of Political Affairs when it managed the contract. The Office of Internal Oversight Services had subsequently recommended that the Office of the Iraq Programme obtain formal advice on this aspect of the contract from the Office of Legal Affairs. However, in commenting on a draft of the present report, the Office of Legal Affairs stated that while the view of the Office of Internal Oversight Services on this issue was a reasonable one, the interpretation by the Department of Political Affairs of the contract was not unreasonable. In future contracts of this nature, there is a need to be more specific in defining the contractor's obligations in terms of personnel deployment.

(ii) Audit of the activities of the Office of the Humanitarian Coordinator in Iraq

75. The Office of Internal Oversight Services audited the effectiveness of the financial and administrative

procedures and operational arrangements of the Office of the Humanitarian Coordinator in Iraq. The audit showed that the procurement function had not been effective and, as a result, there had been several breaches of procurement rules and frequent delays in procurement actions.

A market survey of vendors in northern Iraq found that the amounts paid by the mission were on average 61 per cent higher than the quotes obtained by OIOS.

76. The Office of the Iraq Programme had provided $566,025 to the Office of the Humanitarian Coordinator in Iraq for the purchase of winter items during 1999 and 2000 for internally displaced persons in northern Iraq. The Office of Internal Oversight Services found that the procurement procedures used for these purchases departed from established procedures, resulting in serious breaches of internal controls. The arrival of the winter season necessitated the urgent procurement of the items on an exigency basis, even though the requirements were known in October 1999 and a similar exercise had been conducted in the previous year. A market survey carried out by the Office of Internal Oversight Services of vendors in northern Iraq found that the amounts paid by the mission were, on average, 61 per cent higher than the quotes obtained by the Office of Internal Oversight Services.

77. The Office of the Humanitarian Coordinator in Iraq had proposed the establishment of workshop facilities in northern Iraq to repair and maintain vehicles that were leased by United Nations agencies and programmes to the local authorities. The budget proposal estimated the costs for constructing and operating these facilities at between $1,159,400 and $1,725,300, excluding the salaries of the staff to be recruited. The Office of Internal Oversight Services questioned the need for this project, noting that it would place an unnecessary administrative burden on the Office of the Humanitarian Coordinator in Iraq and could conflict with its coordination and monitoring responsibilities. The latter subsequently decided to cancel the proposal.

(iii) Review of coordination and monitoring issues in northern Iraq

78. The Office of Internal Oversight Services audited the coordination and monitoring by the Office of the Humanitarian Coordinator in Iraq of projects in northern Iraq funded from the Iraq account, which were being implemented by United Nations agencies and programmes. To date, the value of these projects exceeds $1 billion. The review found that there was only limited coordination of programme planning among the implementing agencies, the local authorities and the Office of the Humanitarian Coordinator in Iraq, and that there was insufficient review and independent assessment of project implementation activities. There was also inadequate coordination among United Nations agencies in establishing uniform administrative policies. In the view of the Office of Internal Oversight Services, United Nations operations in northern Iraq would be more effective if common administrative policies, in particular those regarding local staffing matters and procurement activities, were adopted.

79. An important objective of the review was to determine the requirements for auditing of projects in northern Iraq. The memoranda of understanding signed with most of the United Nations organizations implementing projects in northern Iraq funded from the Iraq account contain an audit clause that requires reporting of findings to the Office of the Iraq Programme on a regular basis. To date, however, audit coverage has not been adequately coordinated and reported to the Office of the Iraq Programme.

The review found that there was only limited coordination of programme planning, and insufficient review and independent assessment of project implementation activities.

80. The Office of the Iraq Programme generally accepted the recommendations of the Office of Internal Oversight Services and has taken steps to improve coordination and monitoring of activities by agencies which are implementing projects funded by the Office of the Iraq Programme in northern Iraq. The Office of the Humanitarian Coordinator in Iraq was establishing a planning section to set multisectoral objectives and a programme coordination section to review project proposals and monitor implementation.

81. A number of other initiatives have been undertaken to improve audit cooperation. The Executive Director of the Office of the Iraq Programme approached United Nations agencies regarding the audit clause, and requested that they closely coordinate their activities with the Office of Internal Oversight

Services. The latter has been in close contact with the agencies on this issue and, in June 2000, the Director of the Audit and Management Consulting Division of the Office made a presentation on strengthening audit coordination in the oil-for-food programme, at the annual meeting of the heads of United Nations and multilateral internal audit bodies. While further efforts will no doubt be required, the Office of Internal Oversight Services is confident that the audits of activities in northern Iraq funded from the Iraq account will result in more effective and efficient use of the resources of the Programme.

4. Office of the United Nations High Commissioner for Human Rights

(a) Rwanda

82. The Office of Internal Oversight Services prepared a separate report for transmittal to the General Assembly on its 1998 audit of the Human Rights Field Operation in Rwanda (A/54/836) because of the significance of the problems identified and the lessons to be learned. The audit had identified numerous internal control deficiencies and serious communications breakdowns.

83. The management of the Office of the High Commissioner has since taken steps to implement each of the recommendations of the Office of Internal Oversight Services, including those on changing administrative procedures and issuing guidance to all field offices, replacing the Chief of the Administrative Section, and requesting the Department of Management to redeploy a Professional post to reinforce the section. The Office of the High Commissioner advised that it is seeking financial assistance in order to establish a unit within its Administrative Section that would be able properly to monitor, control and account for the budgets and finances of the Office. This is part of its efforts to reinforce and empower an Administrative Section that has been severely understaffed.

(b) Burundi

84. In 1999, the Office of Internal Oversight Services conducted an audit of the Human Rights Field Operation in Burundi, covering the period from its inception in 1994 through July 1998. Having drawn upon the lessons of the Field Operation in Rwanda, the Office of the High Commissioner for Human Rights had started to implement controls in various operational areas. From the outset, however, internal control systems had not been properly implemented in such areas as transfers of funds, accounting for advances and documentation of expenditure, financial reporting and procurement.

85. The Office of Internal Oversight Services made a series of recommendations to address these problems. The Office of the High Commissioner has already implemented or was in the process of implementing most of the recommendations for the strengthening of internal controls, and has issued detailed administrative guidance to its field offices. The United Nations Office for Project Services (UNOPS) commented that its involvement in the management of the Burundi operation only began in July 1998, and that a comparison of management services before and after its involvement led to the conclusion that considerable improvements had been made in the management of the operation.

(c) Field support services

86. The review by the Office of Internal Oversight Services of field support services at the headquarters of the Office of the High Commissioner found that the latter urgently needed to improve its substantive backstopping and administrative support services, which were partially provided by UNOPS.

87. The Office of the High Commissioner did not have a uniform approach to security planning or criteria for determining the number of security staff, and had not issued guidance on the hiring of security staff or for monitoring their performance. There were also no policies governing communications methods or guidance on the best use of available technologies relative to the required levels of confidentiality.

The Office of the High Commissioner did not have criteria for determining the number of security staff, and had not issued guidance on the hiring of security staff or for monitoring their performance.

88. The arrangements with UNOPS were inadequate because UNOPS and the Office of the High Commissioner did not always have clear guidelines and procedures. The Office of Internal Oversight Services recommended, inter alia, that the management of the Office of the High Commissioner identify the administrative tasks to be performed by the staff of the

Office, as opposed to those delegated to UNOPS or other executing agencies, define and agree on standard operating procedures, and establish guidelines to facilitate the field office administrative functions for which it retained responsibility.

89. The Office of the High Commissioner agreed with the recommendations of the Office of Internal Oversight Services, and advised that it had drafted a major revision to its memorandum of understanding with UNOPS. The revised memorandum of understanding was under review by the United Nations Controller, the Office of Legal Affairs and other senior officials. The Office of the High Commissioner also advised that it had reinforced its administrative support to field offices and issued a number of administrative guidelines. The High Commissioner has also established a security coordinator position and standardized policies for hiring security staff and monitoring their performance. UNOPS commented that a joint working group had been established by the Office of the High Commissioner and UNOPS, which meets periodically to review and discuss all items related to cooperation between the two offices. In particular, the working group was to clarify the respective roles of the two offices, and the workflow of all parties involved at headquarters and in the field. Based on the working groups findings, a matrix has been developed detailing the distribution of responsibilities between the two.

(d) Headquarters administration

90. In August 1999, the United Nations High Commissioner for Human Rights requested assistance from the Office of Internal Oversight Services and the Department of Management to address weaknesses identified in the central administration of his Office. In its ensuing audit, the Office of Internal Oversight Services concluded that the administrative support capacity of the Office of the High Commissioner had not evolved sufficiently to keep pace with its expanded mandate and enhanced public profile.

91. Nearly $21.6 million spent through UNOPS on human rights activities had not been recorded centrally by the United Nations Office at Geneva or by United Nations Headquarters, contrary to the Financial Regulations and Rules of the Organization and the specific instructions of the United Nations Controller. This practice resulted in gaps in budgeting and financial reporting, unauthorized use of programme support income, and questionable administrative support projects at the Office of the High Commissioner at Geneva. The latter advised that, immediately after the audit, the High Commissioner had instructed that all contributions should be deposited into the account of the Office at Geneva, from which transfers would be made to UNOPS. Additional measures to address the need for financial reporting and to clarify other issues of concern have been incorporated in the revised memorandum of understanding with UNOPS discussed in paragraph 89 above.

92. The Office of Internal Oversight Services made a series of recommendations to the management of the Office of the High Commissioner, aimed at strengthening internal controls and improving the management of its projects and field offices. These included recommendations to reorganize the Administrative Section of the Office so as to separate critical functions, to commit resources to improving the budget tracking system, and to negotiate an enforceable fee recovery clause in future memoranda of understanding in the event of non-performance of key services. The Office of the High Commissioner was in the process of implementing the recommendations but wished to seek additional guidance concerning the recommendation for an enforceable non-performance clause, and has sought the advice of the Office of Legal Affairs on this matter.

93. UNOPS commented that contributions from donors to finance the extrabudgetary activities of the Office of the High Commissioner that are implemented by UNOPS were directly received in the UNOPS account, in accordance with the decision taken by the High Commissioner at the beginning of the cooperative arrangement between her Office and UNOPS. Based on audit comments, this arrangement was changed in November 1999, pursuant to the instructions of the High Commissioner. At present, such contributions are first deposited by donors into the United Nations accounts before being transferred to UNOPS at the request of the Office of the High Commissioner. UNOPS stated, however, that the new arrangement has led to considerable delays in project implementation owing to the slow pace with which the required funds have been received, and because UNOPS requires the deposit of funds into its account before entering formal obligations to implement project activities.

(e) Support provided to the human rights operation in Colombia

94. The management audit carried out by the Office of Internal Oversight Services of the human rights operation in Colombia concluded that it was well managed and had instituted fundamental internal controls over project funds and assets. Key stakeholders, including governmental counterparts, non-governmental organizations and donor representatives, recognized that the Office of the High Commissioner had established a valuable and credible presence in Colombia.

The management audit of the human rights operation in Bogota concluded that it was well managed and had instituted fundamental internal controls over project funds and assets.

95. The audit reinforced the findings of previous audits at the Office of the High Commissioner at Geneva, which indicated that services delivered by UNOPS were uneven, requiring a revised memorandum of understanding and better contract management. The Office of the High Commissioner also needed to harmonize the terms and conditions of contracts offered to its staff in the field, in particular at the office at Bogota, where six different contract types were being used. The audit also made observations related to measuring project impact and ensuring the sustainability of project activities.

96. The Office of the High Commissioner generally agreed to implement the recommendations of the Office of Internal Oversight Services. It wished, however, to obtain further guidance from the Office of Legal Affairs before responding to the recommendations concerning its backstopping arrangements with UNOPS. UNOPS commented that the perception of uneven services delivered to the office at Bogota might have been the result of a funding problem, since activities carried out by UNOPS are contingent upon receipt of funds in advance in the UNOPS accounts. UNOPS further stated that all personnel contracts were established in accordance with requests of the Office of the High Commissioner, based on the terms of reference provided by the latter. In order to facilitate management of the increased programme activities, UNOPS has issued a delegation of authority for the management of the Colombia operation to the head of its operations in the country.

C. Human resources management

1. Follow-up audit of the recruitment process

97. In the three years since the Office of Internal Oversight Services conducted its management audit of the recruitment process, the subject has received a great deal of attention within the Organization. While the original audit focused mainly on the administrative aspects of recruitment procedures, a follow-up audit assessed the progress made in improving the overall management of the Organization's recruitment process.

98. On the positive side, the Office of Human Resources Management has made progress towards reforming and refining specific elements of the recruitment process by creating departmental action plans and indicators to help management to focus its recruitment efforts, reducing the recruitment timeline by one third, improving the management of the national competitive examination programme and updating the roster of candidates, introducing an electronic recruitment tracking system, and including core values and competencies in the vacancy announcement and interview process.

99. To date, the emphasis of the Office of Human Resources Management has been on the process itself, which included such activities as making changes to administrative rules and constructing individual databases. From a policy perspective, the Office of Human Resources Management needs to determine what its human resources management and recruitment goals are, and which actions should be taken to accomplish these goals in line with departmental business plans. Each initiative, reform and procedural change must be analysed within this comprehensive framework to determine how it will support the overall goal.

The Office of Internal Oversight Services identified a number of specific actions that should be taken to expedite and improve the management of the recruitment process.

100. The Office of Internal Oversight Services identified a number of specific actions that should be

taken to expedite and improve the management of the recruitment process. The larger policy issue of establishing overall recruitment goals and strategies, however, must first be addressed. Other key recommendations included: provision of targets and guidance to programme managers regarding the achievement of gender balance and geographical distribution; further refinement of benchmarks for monitoring recruitment activities; and improvement of recruitment processes so as to ensure operational efficiency and effectiveness. The Office of Human Resources Management agreed to implement the recommendations of the Office of Internal Oversight Services, which plans to provide the full results of this audit to the General Assembly during its fifty-fifth session.

2. Audit of the attendance and leave system

101. The management of attendance and leave is an area of growing interest to organizations seeking to improve staff productivity. The Office of Internal Oversight Services conducted a management audit of the United Nations attendance and leave system, focusing on sick leave which is the most complicated of the leave entitlements. Eleven public sector organizations were surveyed in order to identify best practice and current developments in leave management. The audit found that staff at United Nations Headquarters used an average of 8.4 days of sick leave during 1998. The average varied across departments, and ranged from 3.6 days to nearly 13 days per annum. Staff salaries relating to absence through illness at United Nations Headquarters amounted to $22 million in 1998, not including overtime and replacement costs for essential functions.

102. The audit confirmed that the United Nations sick leave system was unwieldy, costly and ineffective. These conclusions were supported by findings that:

(a) The system required the efforts of seven different offices and involved 14 discrete decision points;

(b) Substantial costs were incurred in administering chronically ill or absent staff members;

(c) Medical Service intervention in certifying sick leave led to changes in only 1 per cent of cases. This predominantly administrative function consumed a high percentage of resources for a very small net result.

The audit confirmed that the United Nations sick leave system was unwieldy, costly and ineffective.

103. Other problems affecting the system included t delayed submission of documentation, a bottleneck the certification of sick leave performed by the Medic Service, and the absence of consequences in instanc of non-compliance with rules. Certain processes, su as the revival of entitlements from prior years, we very difficult to administer and subject to varyi interpretations. Also, the implementation of t Integrated Management Information System (IMI module for leave administration was unlikely achieve efficiencies or streamline processes.

104. The benchmarking exercise showed that a numb of alternatives to the current sick leave policies exi including the use of short-term disability for serious ill personnel, as well as incentives to encoura attendance. The Office of Internal Oversight Servic recommended that the Office of Human Resourc Management convene a working group further explore innovations in leave management policies a to re-engineer complicated aspects of the entitlement such as the sick leave revival policy. The audit al pointed out the need for a review of the value added Medical Service certification of sick leave, and t enforcement of the 10-day limit for submission required sick leave documentation.

105. The Office of Human Resources Manageme agreed to review the sick leave administration syste including the role of the Medical Service. It also agre in principle with the recommendations relating to lea management policies, but pointed out that certa policy alternatives might not be acceptable to the sta Nonetheless, the Office of Human Resourc Management agreed that those issues warranted furth review, and has established a number of worki groups to study the recommendations of the Office Internal Oversight Services.

D. Procurement

1. General observations

106. The procurement activities of the Organizatio (requisitioning, procurement and contra administration) continued to be a priority area for t Office of Internal Oversight Services. Given t

significance of procurement expenditures, which totalled nearly $470 million in 1999, and the high risk associated with procurement activities, a separate unit was recently established within the Audit and Management Consulting Division of the Office, which will function as the focal point for procurement audits.

107. Procurement activities are routinely covered during many of the audits and reviews conducted by the Office. In this regard, the Office made 77 recommendations on procurement during the reporting period, and will continue to monitor the progress made in their implementation.

Given the significance of procurement expenditures, which totalled nearly $470 million in 1999, and the high risk associated with procurement activities, a separate unit was recently established within the Audit and Management Consulting Division of the Office, which will function as the focal point for procurement audits.

108. A second follow-up audit of procurement reform was carried out at Headquarters from November 1999 to May 2000. The audit was primarily intended to verify that the recommendations formulated by the group of high-level experts and reported in the first review of the implementation of procurement reform (A/52/813, annex) had been satisfactorily implemented. The audit also sought to identify any new procurement issues that may have developed. The results of this audit will be transmitted to the General Assembly at its fifty-fifth session.

2. Other procurement issues

109. Details of the audit of the global vehicle procurement project appear in paragraph 44 above. Information on two other procurement audits is set out below.

(a) Audit of the International Trade Centre

110. An audit of ITC procurement practices confirmed that, although ITC had established internal controls over procurement, several issues needed to be addressed. For example, ITC did not use a computerized procurement system capable of generating reliable and timely reports, or of compiling statistics to be used as a management tool. Also, late submission of requisitions hampered the normal procurement planning process, and ITC procurement guidelines did not clearly define the requirements for using invitations to bid, requests for proposals and international, as opposed to local, tendering. The Office of Internal Oversight Services found that ITC could further benefit from the use of blanket purchase orders and increased participation in United Nations global procurement contracts, in addition to its current participation in global contacts for travel agency services, telecommunications and goods removal.

111. In response to the recommendations of the Office, ITC management, inter alia, issued new procurement guidelines which clarified the roles and responsibilities of requisitioning, certifying, contracting and approving officers. These guidelines should help to strengthen internal controls and procurement efficiency. Concerning the computerized procurement system, the Office was informed that ITC had started training in the use of Reality software, which is linked to IMIS Release 3. Regarding increased participation in United Nations blanket purchase contracts, ITC reported that it was now using the blanket purchase orders of the United Nations Office at Geneva for office supplies and had been using blanket contracts for fax machines.

(b) Procurement investigation at the United Nations Office at Nairobi

112. The Office of Internal Oversight Services conducted an investigation into a report of an apparent solicitation by a contractor of the United Nations Office at Nairobi to a bidder for a contract of that Office. The evidence obtained during the investigation confirmed that the solicitation had been made by the contractor in order to obtain a fee from the bidder in exchange for the contractor's purported guarantee that the bidder would win the contract. The Office of Internal Oversight Services recommended that the evidence obtained be provided to law enforcement authorities for their consideration. It further recommended that the United Nations Office at Nairobi discontinue using the services of the contractor. The United Nations Office at Nairobi concurred with both recommendations. The Investigations Section will be available to assist the authorities in their consideration of this matter.

III
Reports on oversight functions

A. Audit and management consulting

1. General developments

113. The audits conducted by the Audit and Management Consulting Division of the Office of Internal Oversight Services of the activities of the Secretariat included those on peacekeeping missions, technical cooperation projects, the United Nations Office at Geneva and at Nairobi, the Office of the Iraq Programme, the Office of the United Nations High Commissioner for Human Rights, the United Nations International Drug Control Programme, the United Nations Environment Programme, the United Nations Centre for Human Settlements (Habitat), the United Nations Compensation Commission, the International Criminal Tribunal for Rwanda and three regional commissions. Audit activities at UNHCR were summarized in paragraphs 54 to 68 above.

114. The work of the Division was guided by its annual and medium-term audit plans, which apply risk assessment formulas across all United Nations entities audited by the Office. These plans also help to ensure that all parts of the Organization are audited on a cycle of no more than four years, with high-risk operations audited more frequently.

115. The Division has continued to emphasize management audits and consultancies as a means of supporting the reform goals of the Secretary-General. The Office of Internal Oversight Services has provided for the General Assembly its major findings and recommendations on such topics as the management of conference centres at the Economic Commission for Africa and the Economic and Social Commission for Asia and the Pacific, and management by the Department of Peacekeeping Operations of service and ration contracts, liquidation of peacekeeping missions, and contingent-owned equipment procedures.

The Audit and Management Consulting Division has continued to emphasize management audits and consultancies as a means of supporting the reform goals of the Secretary-General.

116. During the reporting period, the Audit and Management Consulting Division started 148 audit assignments, issued 82 audit reports to senior management and provided 5 reports for the General Assembly. In addition, 453 audit observations were issued to the clients of the Office at the operating levels. Audits conducted by the Office resulted in improvements in the administration and management of the United Nations Secretariat, its offices away from Headquarters and its funds and programmes, and contributed to enhancing the overall internal control environment in the Organization.

117. The key audit recommendations made by the Division during the 1999 and 2000 reporting periods, according to functional area, were as follows:

	1999	*2000*
Programme/project management	85	211
Cash management	23	41
Personnel, payroll and travel	173	171
Financial accounting/reporting	140	147
Procurement	64	78
Property management	88	79
Information technology systems	92	11
General administration and management	79	87
Total	**744**	**825**

118. As shown above, the number of key audit recommendations rose slightly, from 744 in 1999 to 825 in 2000. Recommendations in the area of programme and project management rose by 148 per cent, from 85 in 1999 to 211 in 2000, owing to an increased focus on programmatic audits. On the other hand, significantly fewer recommendations were made in 2000 in the information technology management area. This can be attributed to the heavy focus on year 2000 computer issues during the prior reporting period. The increase in the number of recommendations in the cash management area largely resulted from the audit conducted of the United Nations treasury system.

119. The Division continued its staff recognition programme, presenting additional awards to staff

members in recognition of their superior performance and contribution to the goals of the Office of Internal Oversight Services. The Division also continued its on-site audit training, which focused on technical skills development, and individual training in areas such as computer applications and electronic media. Audit staff also attended conferences and seminars sponsored by professional associations, and participated in forums with managers and staff from other units of the Office on topics of mutual interest.

2. Major findings and activities

(a) Department of Political Affairs

120. At the request of the Under-Secretary-General, Department of Political Affairs, the Office of Internal Oversight Services undertook a consulting assignment to assess the resource requirements of the Department. The approach agreed upon involved an evaluation of major workflow processes and of the technology and administrative support infrastructure. The Office recommended improvements in the areas of organizational structure, job satisfaction and feedback, and in communications and information-sharing. The Office also identified opportunities for the Department better to leverage central information systems through data sharing and automating the production, storage and retrieval of documents.

121. The consultancy was well received by the Department. The Under-Secretary-General convened a task force to consider the recommendations of the Office and to propose implementation strategies. The Office considers that these actions will enable the Department to carry out more effectively its key responsibilities.

The Office of Internal Oversight Services identified opportunities for the Department of Political Affairs better to leverage central information systems through data sharing and automating the production, storage and retrieval of documents.

(b) Office of the United Nations Special Coordinator in the Occupied Territories

122. An audit of the Office of the United Nations Special Coordinator in the Occupied Territories confirmed that the present arrangements, whereby the Office was supported administratively by the United Nations Truce Supervision Organization (UNTSO), is the most efficient approach. There was, however, a need to formalize these arrangements and to provide the Office of the Special Coordinator with more management information on its administration and financing. Two additional administrative posts proposed for the personnel section in the budget for the biennium 2000-2001 were not needed, and could have been redeployed to other areas. Also, the agreement with the governing authorities should be more explicit in granting all required immunities and facilities. The Department of Peacekeeping Operations advised that action had been taken by the Office of the Special Coordinator to implement the audit recommendations. The Office of the Special Coordinator further advised that, based upon the recommendations of the auditors and a survey conducted by a management consultant, it was in the process of preparing an agreement to formalize the support provided to the Office by UNTSO.

(c) United Nations treasury system

123. Overall, the audit found that, in the Secretariat-wide treasury system, some progress had been made in improving cash management and in consolidating treasury procedures. Cash management practices had not, however, been systematically monitored and coordinated. Also, there was a need to include all field accounts into the United Nations cash concentration system and to resolve promptly problems in executing payroll disbursement through IMIS.

124. The audit also showed that: the treasury unit at Headquarters was missing bank account information owing to weaknesses in the bank account database; coordination among treasury units at Headquarters, Geneva, Vienna and Nairobi was limited; standard reimbursement policies for services needed to be developed; and the system for delegating financial authority needed improvement.

125. In response to the recommendations of the Office of Internal Oversight Services, management indicated that the cash concentration system relating to United States dollar accounts was now complete. Management further advised that the Treasury was working with the IMIS team in relation to cheque-processing systems, software for the electronic transfer of funds and IMIS payroll functions, and in developing an updated list of bank accounts. Management was also evaluating the use of videoconferencing and other techniques to enhance coordination and efficiency, and planned to

issue an appropriate administrative instruction clarifying questions regarding delegation of authority.

(d) Administration of travel

126. The audit carried out by the Office of Internal Oversight Services of the travel process focused on assessing how the IMIS travel module had affected the administration of travel by the Secretariat. The Office found that the introduction of the IMIS automated system had improved certain travel-related administrative processes, however, the overall travel process had not been reconfigured to take full advantage of the potential efficiencies available through IMIS. Some manual operations had not been fully automated and/or replaced by IMIS, while others were still being duplicated by various offices. It was considered that the IMIS functionality could be enhanced by streamlining the home leave lump-sum payment process; further automating procedures for travel invoice registration and verification, and for recovering travel advances; and realigning responsibilities for verifying travel claims, controlling unused tickets and reconciling refunds from the travel agent used by the Organization.

127. The Department of Management agreed that the current IMIS functionality for the travel administration process needed further enhancement. The Department also indicated that initiatives had been taken or were planned in order to implement many of the enhancements recommended by the Office.

(e) Managing the year 2000 computer problem

128. Continuing activities initiated in the prior reporting period, the Office of Internal Oversight Services served as an ex officio member of the year 2000 implementation team at Headquarters, and reviewed the status of year 2000 activities at 23 offices and programmes, including the regional commissions. These efforts focused on raising client awareness of the problem and highlighting the need for clients to develop appropriate year 2000 action plans. In addition, some clients requested the Office to provide advice on ways to address the problem and actions that would reduce or eliminate its impact on their operations. The Office is pleased that its clients were able to deal with the problem without major difficulties or service disruptions.

(f) Processing of inter-office vouchers through the Integrated Management Information System

129. The Office of Internal Oversight Services performed an audit of inter-office voucher processing through IMIS at Headquarters in order to assess the effectiveness of IMIS functionalities for recording and processing these transactions and the adequacy of related internal controls. The audit found that, despite the efforts of management to address backlogs and other problems, processing of inter-office voucher transactions at Headquarters was a daunting task, involving significant recording delays and the risk that substantial amounts were not being accurately accounted for. The Office made several recommendations to improve the IMIS functionalities, address processing backlogs, enhance training and monitoring, and streamline the process. The Administration agreed with the recommendations, some of which may take several years to implement fully.

Despite the efforts of management to address backlogs and other problems, processing of inter-office voucher transactions at Headquarters was a daunting task, involving significant recording delays and the risk that substantial amounts were not being accurately accounted for.

(g) Integrated database project at the United Nations Compensation Commission

130. In response to previous recommendations made by the Office of Internal Oversight Services, the United Nations Compensation Commission requested the Office to review its plans for consolidating claim and payment information into an integrated electronic database. Owing to its size and complexity, the Commission had divided the project into four phases: database design; analysis of existing information for placement in the database; migration of data into the database; and implementation of procedures for using the database.

131. The Office concurred with this phased approach and found the methodologies and processes used by the Commission to implement the first two phases of the project to be satisfactory. Recognizing that the implementation of a new database would also affect the activities of the Board of Auditors, the Office shared the results of its review of project phases I and II with

the Board. It is anticipated that the Board will review phase III of the project and share the results of its work with the Office, which plans to perform a post-implementation review of the project.

(h) United Nations Gift Centre operations

132. An audit was conducted after the United Nations had decided to outsource the operations of the Gift Centre to a retail vendor. The Office of Internal Oversight Services found that the vendor generally conducted operations in accordance with contract provisions, and that royalties to the Organization had increased substantially from the contract's inception through December 1998. The audit, however, disclosed weaknesses in the procurement exercise used to select the vendor. The requirements outlined in the request for proposals were unclear, and there were modifications made to the original terms of the request after the proposals had been received from bidders. Also, the contract did not include penalties for the late payment of royalties. With certain clarifications, management generally agreed with the findings and recommendations of the Office concerning the procurement process used to select the vendor. Management also concurred with the need to include penalty provisions for late payment of royalties in future contracts.

(i) Technical cooperation activities

133. During the reporting period, the Office of Internal Oversight Services audited the technical cooperation projects of the Department of Economic and Social Affairs in Madagascar, the Central African Republic, Iraq and China. The major findings were generally related to delays in fielding international experts and procurement and the consequent delays in the implementation of annual project work plans and deferment of the target dates for expected output. Also, the annual work plans and related budgets had to be amended and adjusted constantly. The Department indicated that there were various reasons for the delays in fielding international experts. It also indicated that the procurement delays related primarily to the Iraq Programme and resulted from the size and scope of the projects.

(j) Publishing activities at the United Nations Office at Geneva

134. The Office of Internal Oversight Services found that the proportion of supervisors to staff (1:3) within two sections of the Publishing Service at the United Nations Office at Geneva was significantly higher than the supervisor-to-staff ratio in counterpart operations at other United Nations organizations at Geneva, which ranged from 1:8 to 1:10. Based on the programme approved by the Publications Board, printing of publications was contracted out even though there was excess internal production capacity. Further, the workload of the Copy Preparation and Proofreading Section had fallen by about 50 per cent since 1996, while the number of staff remained the same. As a result, the staff of the Section were idle for an average of 69 working days, resulting in a loss of approximately $100,000 in 1998.

The workload of the Copy Preparation and Proofreading Section had fallen by about 50 per cent since 1996, while the number of staff remained the same.

135. The Office recommended that the Publishing Service restructure two of its sections in order to establish cohesive work processes and more appropriate supervisor to staff ratios, and survey its clients to help improve services. It also recommended that the Working Group on Publications at Geneva ensure that procedures were established for determining the number of copies of publications that author departments should receive so as to avoid overproduction, the in-house printing capacity of the Publishing Service was fully utilized prior to outsourcing the printing of publications, and criteria for external printing were documented and communicated to client departments. The Office further recommended that the Service and the Purchase and Transportation Section at Geneva use systems contracts, where appropriate, in contracting out printing jobs to external companies.

136. The Publishing Service, Working Group on Publications and Purchase and Transportation Section at the United Nations Office at Geneva have started to implement the recommendations at the Office. The Publishing Service has, inter alia, consolidated two subunits in the Reproduction Section, and the ongoing classification exercise has resulted in the elimination of

nine supervisory posts in the Distribution Section and six deputy chief posts in the Reproduction Section. According to management, the resulting ratio of supervisors to staff has improved to 1:7.

(k) Office for Drug Control and Crime Prevention

(i) Regional Office for Central Asia

137. In general, the Regional Office for Central Asia of the Office for Drug Control and Crime Prevention administered its projects adequately. Administration of the Regional Office itself, however, and implementation of its delegation of authority needed to be improved. A misinterpretation of its delegated authority led the Regional Office to take certain questionable administrative actions, such as operating its own local committee on contracts and establishing posts that were not authorized in the staffing table. Expenditure planning was lacking, and record keeping and reporting procedures used by certain projects needed to be improved. The Office of Internal Oversight Services recommended, inter alia, that the Regional Office improve record keeping and budgetary controls, and that the Office for Drug Control and Crime Prevention develop guidelines on the delegation of administrative authority to offices in the field and ensure that field offices adhere to their approved staffing tables.

138. The Office for Drug Control and Crime Prevention accepted the findings of the Office of Internal Oversight Services and has started to implement most of its recommendations. A senior finance officer was sent to the Regional Office to assess and help to improve its financial and administrative arrangements.

(ii) Caribbean Regional Office

139. The audit conducted by the Office of Internal Oversight Services of the Caribbean Regional Office in Barbados found that, in decentralization operations, the Office for Drug Control and Crime Prevention had given more flexibility to field offices in certain budgetary expenditure but that it still needed to define spending limits. The Regional Office in Barbados needs the support of headquarters in obtaining complete and timely financial and operational information from the field in order to perform satisfactorily its coordination and oversight functions. The Office for Drug Control and Crime Prevention should also implement plans for a more reliable and timely financial information management system, and ensure that the Regional Office has delegated authority that is commensurate with its responsibilities for the drug control programmes and projects in the region.

140. The Regional Office launched several management initiatives to enhance project monitoring early in 1999, but needs to improve programme documentation and reporting systems, including the creation of audit trails relating to the periodic review of programme output against work plan objectives. The Regional Office also needs to address such issues as the improvement of travel planning, compliance with procurement requirements, the conduct of regular inventories and the maintenance of accurate equipment records.

141. The Office for Drug Control and Crime Prevention generally accepted the findings of the Office of Internal Oversight Services and agreed to implement most of its recommendations. The former noted that it delegates authority for project approval on a case-by-case basis, and releases funds through the Regional Office in order to ensure tighter financial control.

(l) Economic Commission for Europe

142. The audit conducted by the Office of Internal Oversight Services of the programme output at the Economic Commission for Europe (ECE) showed that the planning, monitoring and evaluation functions had not been clearly institutionalized as an integral part of management processes. ECE also needed to implement a mechanism for providing feedback on programme successes and shortfalls. Work on establishing performance indicators needed to be pursued and expanded, and planning at the division level of the ECE secretariat needed to be improved. The responsibilities of focal points, who provide and update monitoring data, were not spelled out or reflected in the performance appraisal system. The most recent self-evaluation exercise was carried out by the ECE secretariat in 1991 and although it planned to undertake seven self-evaluations between 1998 and 2001, these evaluations had not yet been completed. ECE has already implemented some of the recommendations of the Office and is committed to implementing all of them.

The audit of programme output at ECE showed that the planning, monitoring and evaluation functions had not been clearly institutionalized as an integral part of management processes.

(m) Organizational and staffing issues at the United Nations Centre for Human Settlements (Habitat)

143. The Office of Internal Oversight Services reviewed the extent to which the United Nations Centre for Human Settlements (Habitat) had complied with applicable regulations, rules and policies when it established its new organizational structure in 1999. The review indicated that there was a need to revise existing Secretary-General's bulletins in order to clarify the procedures for approving new organizational structures and changes thereto. The roles of the Commission on Human Settlements and the Executive Director in implementing and modifying the organizational structure of the Centre also needed to be clarified. The Department of Management accepted the recommendation of the Office to provide additional guidance on the procedures for approving the organizational structure of United Nations bodies, when necessary.

144. The audit found that the Centre did not always use 200 series staff in accordance with applicable regulations and rules, and that it needed to define better the types and levels of staff required under its new organizational structure. In this exercise, the Centre should pay special attention to resolving which positions should be filled with 100 series staff, as opposed to 200 series staff. The Centre also needs to develop criteria for matching existing staff against these positions. The Centre accepted the recommendation of the Office and agreed to implement it as part of its reorganization.

(n) Use of gratis personnel by the Division of Technology, Industry and Economics, United Nations Environment Programme

145. The audit conducted by the Office of Internal Oversight Services of the Division of Technology, Industry and Economics at UNEP observed that nine type II gratis personnel[2] were serving with the Division, in violation of General Assembly resolution 51/243 of 25 September 1997. The Under-Secretary-General, Department of Management, expressed concern at the continued presence of type II gratis personnel at UNEP and requested the assistance of the Office of Internal Oversight Services in determining why these personnel were still serving.

146. The Office found that there were two contributory causes that UNEP needed to address. The first was the need to clarify or formally establish the nature and extent of the authority that should be delegated to UNEP field offices. The second was the non-compliance of the Division with specific instructions issued by UNEP management to discontinue, by 28 February 1999, the contracts of all type II gratis personnel on board prior to that date. The Division actually engaged at least one additional person under the arrangement after the deadline, and took only limited corrective action to comply with the above-mentioned Assembly resolution and related instructions from UNEP.

147. UNEP accepted the recommendations of the Office and agreed to prepare guidance on the delegation of authority to UNEP field offices. Also, as recommended, UNEP was in the process of either converting type II gratis personnel to type I gratis personnel, or discontinuing their services.

(o) United Nations Office at Nairobi: payroll function

148. The Office of Internal Oversight Services audited the Payroll Unit at the United Nations Office at Nairobi, covering the entire payroll cycle for basic pay and selected allowances, including post adjustment, language allowance and hardship and mobility allowance. The Office concluded that there were serious weaknesses in the arrangements for calculating, processing and recording pay and allowances. The interface between the Payroll Unit and the human resources management services at Nairobi also needed to be improved. The Office made a series of recommendations for adjusting payroll errors detected by the audit, which included overpayments of more than $42,000 and a small amount of offsetting underpayments, and for correcting the underlying payroll system deficiencies.

The Office concluded that there were serious weaknesses in the arrangements for calculating, processing and recording pay and allowances at the United Nations Office at Nairobi.

149. The Office also audited the systems used to pay overtime to General Service staff at the United Nations Office at Nairobi, UNEP and the Centre for Human Settlements for the period from 1 January 1998 to 31 August 1999. The Office of Internal Oversight Services found that the systems were weak, and that there was a need to establish policies and guidelines on when overtime could be earned, and how and by whom overtime payments would be calculated. Improvements were also needed with regard to verifying and certifying overtime, and monitoring its use. The United Nations Office at Nairobi was in the process of implementing all of the recommendations of the Office.

(p) Management of subregional development centres

150. An audit conducted by the Office of Internal Oversight Services concluded that the management of subregional development centres by the Economic Commission for Africa (ECA) needed to be improved. In this regard, ECA has undertaken a two-pronged effort to improve the management of the centres. It has established a coordination unit for the centres, and is improving processes relating to personnel, procurement and property management. ECA is also taking action to strengthen accountability by ensuring that the responsibilities and delegated authority of each centre are clearly defined.

151. The Office also audited the operations of one of the five subregional development centres. The audit showed that financial, personnel and procurement activities were in general being carried out in accordance with United Nations regulations and rules, however, the quality and timeliness of the financial information exchanged with ECA headquarters needed to be improved. Procedural improvements were also needed with regard to banking arrangements, petty cash, accounting for voluntary contributions and controls over the private use of telephone and fax. The Office also concluded that the host country agreement needed to be modified to clarify such matters as office space needs and the taxes paid to the Government. ECA accepted the recommendations of the Office and was taking action to resolve the issues raised during the audit.

3. Status of ongoing audits requested by the General Assembly

152. The General Assembly, by its resolution 54/241 of 23 December 1999, requested the Secretary-General to report on the experience gained in the use of resident auditors in peacekeeping missions and the implications of the implementation of the related recommendations of the Office of Internal Oversight Services. The Office has undertaken to prepare this report for transmittal to the General Assembly at its fifty-fifth session.

B. Investigation

1. General developments

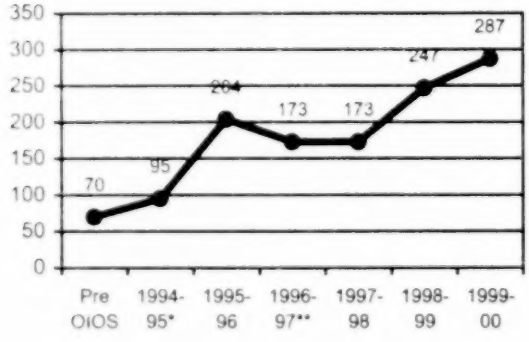
(a) Caseload

153. The Investigations Section of the Office of Internal Oversight Services continues to assist the Secretary-General in fulfilling his oversight responsibilities regarding the proper utilization of the resources and staff of the Organization, as provided for in paragraphs 16 to 18 of the Secretary-General's bulletin ST/SGB/273. During the reporting period, the Section received 287 cases, compared to 247 in the previous reporting period, which represented a 16 per cent increase. However, the staffing level of the Section, of 15 Professional and General Service staff, remained the same as in all four previous reporting periods, with 12 staff members based at United Nations Headquarters and 3 staff members based at Nairobi.

154. In total, the Section has received 1,249 cases during the period from 7 September 1994 to 30 June 2000, as shown in chart 1 below.

Chart 1

Incoming cases received during each of the reporting periods of the Office of Internal Oversight Services



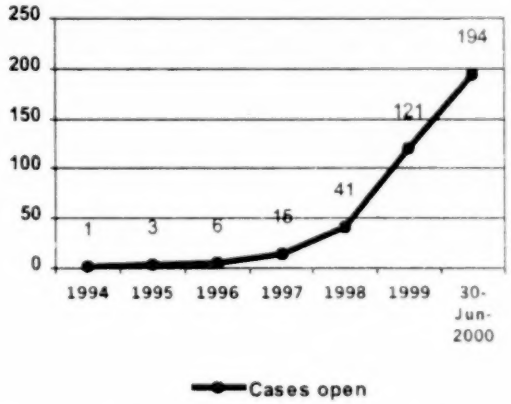
* Period reflects cases received from 7 September 1994, the date of the establishment of the Office of Internal Oversight Services, to 30 June 1995.

** The decrease in cases between the reporting periods 1995-1996 and 1996-1997 is attributed to the decision that the Section would not handle personnel grievance cases, since the framework to address these issues already existed in the Organization.

155. The increase in the cumulative backlog of cases (see chart 2 below), in particular during the past three reporting periods, is attributed to an increase in the number of cases received and, more important, the complexity of the cases received by the Section coupled with the lack of additional personnel to handle the increased caseload.

Chart 2

Cumulative backlog of the caseload of the Investigations Section at the end of each reporting period



(b) Cases presented to national law enforcement authorities

156. The Investigations Section investigated 38 cases which were presented for administrative or disciplinary action; 22 of those cases were recommended for criminal prosecution by national law enforcement authorities. It can take years for these cases to be finalized, since such proceedings are time-consuming and they require the Office to allocate significant resources to assist in their resolution.

(c) Geographical distribution of open cases

157. Of the 194 open cases as at 30 June 2000, 25 per cent are located at United Nations Headquarters, 27 per cent in Africa, 28 per cent in Europe, 8 per cent in the Middle East and Asia, and 4 per cent in the United States of America (i.e., outside United Nations Headquarters).

158. These percentages have been consistent since the inception of the Investigations Section. Since 75 per

cent of the open cases are at locations away from Headquarters, extensive travel is required. Many of these cases require additional resources for travel.

(d) Work of the Investigations Section

159. During the reporting period, the findings and recommendations of the Investigations Section were submitted in 35 reports and communications to programme managers, compared to 33 in the previous reporting period.

160. In addition, the expertise of the Section in gathering evidence and investigative procedures has been sought by funds, programmes and other offices in the United Nations system. Also, the Section provided advice on policy issues, such as the revision of the administrative instruction on disciplinary measures, security of documents at the United Nations, aviation safety at peacekeeping missions (see para. 50 above), and the guidelines for the Organization to enter into partnerships with the business community (see para. 168 below).

(e) Anonymity and confidentiality

161. Pursuant to the mandate of the Office of Internal Oversight Services, staff members at all levels of the United Nations and others have direct access to the Investigations Section to make complaints and refer their concerns. The procedures of the Office (see ST/SGB/273) do not discriminate between the receipt of anonymous complaints and those complaints in which persons identify themselves. The Section reviews each report, received anonymously or otherwise, to determine its credibility before undertaking a full fledged investigation. The Office prefers that the source of the report reveal his or her identity to the Section, since this facilitates follow-up activity which in many cases provides other pertinent information to the investigation.

The number of anonymous reports has decreased 35 per cent from the previous reporting period.

162. Individuals who elect to file anonymous complaints with the Section should be reassured of the Section's mandated policy with regard to confidentiality. This is detailed in paragraph 18 (b) of ST/SGB/273, which states that the identity of staff members providing information to the Office will not be disclosed except for the very restricted circumstances provided by the mandate, and that unauthorized disclosure will constitute misconduct for which disciplinary measures may be imposed. The assurance appears to have been acknowledged by staff members in general, since the number of anonymous reports has decreased 35 per cent from the previous reporting period. This decrease may be the result of the practice of the Section of encouraging those who make anonymous complaints to identify themselves.

2. Major cases and activities

(a) Misdirection of funds at the United Nations Environment Programme

163. The United Nations Treasurer requested the Investigations Section to investigate the misdirection of the contributions made by several Member States to the UNEP Trust Fund at the Chase Manhattan Bank. The investigation determined that, although the United Nations Office at Nairobi had provided the correct bank account number to the Member States, 13 contributions, totalling over $700,000, made by nine Member States, and intended for the UNEP Trust Fund account at Chase, were deposited in error into the account of another customer. The recipient of the misdirected funds refused to comply with the request of Chase to have the money placed in the correct account and claimed that the money belonged to her. Chase froze her account and initiated legal action to have the funds returned and, after discussions with the Office of Internal Oversight Services, the Office of Legal Affairs and the United Nations Treasurer, credited the UNEP account with the entire amount that had been misdirected. The recipient of the funds faced criminal proceedings in the United States for her actions. The Investigations Section assisted the national law enforcement authorities in their investigation of this matter and continued to do so in the preparations for the criminal proceedings.

The investigation determined that 13 contributions, totalling over $700,000, made by nine Member States and intended for the UNEP Trust Fund account at Chase, were deposited in error into the account of another customer.

164. The Office of Internal Oversight Services found no evidence of wrongdoing on the part of United

Nations staff members; however, deficiencies on the part of the United Nations Office at Nairobi and Chase were noted. The Section made several recommendations with the aim of improving the contribution payment process and communications between the United Nations Office at Nairobi and Member States, as well as between that Office and Chase. All parties have agreed with the recommendations of the Section.

(b) Procurement at the United Nations Office at Nairobi

165. The investigation of a reported solicitation in connection with a contract at the United Nations Office at Nairobi is described in paragraph 112 above.

(c) Allegations against a senior official at the United Nations Office at Vienna

166. Not all cases investigated by the Office of Internal Oversight Services result in allegations being substantiated and recommendations made to the Organization for the imposition of disciplinary measures. In 1998, the Secretary-General and the Office received anonymous letters listing a number of serious allegations against a senior official at the United Nations Office at Vienna. The Office investigated these matters, and the evidence adduced by the investigation did not substantiate the allegations of mismanagement. The senior official was therefore cleared of any wrongdoing. The allegations were found to be without merit and raised concerns that the letters were written in bad faith, that is the author or authors knew the allegations to be without factual basis.

(d) Abuse of entitlement benefits

167. During the reporting period, the Investigations Section looked into several matters concerning abuse of staff entitlement benefits, such as medical insurance claims, sick leave claims, security grants, education grants and rental subsidies. Such matters are brought to the attention of the Section by staff in offices throughout the Organization. The Section has found that, once it has issued a report on an entitlement fraud to programme managers, they become more sensitive to the issues involved and the possibility of abuse. Consequently, the managers refer additional matters relating to possible entitlement fraud to the Section.

The Investigations Section has found that once it has issued a report on an entitlement fraud to programme managers, they become more sensitive to the issues involved and the possibility of abuse.

(e) Partnerships between the United Nations Conference on Trade and Development and the business community

168. Pursuant to an investigation of partnerships between the United Nations and the business community at the secretariat of the United Nations Conference on Trade and Development, which had been conducted in the previous reporting period, the Office of Internal Oversight Services recommended that the Organization evaluate the risks and opportunities involved in engaging with the business community on a system-wide basis. The Office also suggested that system-wide guidelines be developed. Under the leadership of the Deputy Secretary-General, a working group comprised of representatives of offices throughout the United Nations system, including the Investigations Section of the Office, was established to address these common concerns. The working group succeeded in producing guidelines for cooperative arrangements between the United Nations and the business community.

C. Inspection

1. Major activities

(a) Office for the Coordination of Humanitarian Affairs

169. The inspection of the Office for the Coordination of Humanitarian Affairs concluded that the streamlining and reorganization of the former Department of Humanitarian Affairs had enhanced the capability of the Office to respond to emerging humanitarian crises.

170. Meaningful and open dialogue with donors and the humanitarian community had been established, and the Office was displaying greater sensitivity to the specific mandates of other humanitarian agencies, while taking measures to reduce duplication of responsibilities and the disagreement over areas of operation that had beset the humanitarian community in the past. The Office of Internal Oversight Services

found that the workings of the Inter-Agency Standing Committee had greatly improved.

The inspection of the Office for the Coordination of Humanitarian Affairs concluded that the streamlining and reorganization of the former Department of Humanitarian Affairs had enhanced the capability of the Office to respond to emerging humanitarian crises.

171. In the year after completion of the inspection, the Office for the Coordination of Humanitarian Affairs has undertaken specific initiatives to comply with the resultant recommendations. For example, a study was commissioned to propose a strategy and master plan for the future advocacy role of the Office. The Office has also initiated a number of actions aimed at strengthening the participatory and decision-making capacity of the Executive Committee for Humanitarian Affairs.

(b) United Nations Centre for Human Settlements (Habitat)

172. In October 1999, a follow-up to the review, in April 1997, of the programme and administrative practices of the United Nations Centre for Human Settlements (Habitat) (see A/51/884, annex) was undertaken to assess whether the implementation of the recommendations of the Office of Internal Oversight Services had led to an improvement in the financial and administrative management of the Centre. The follow-up inspection (see A/54/764) concluded that the revitalization of the Centre, launched by the new Executive Director in July 1998, had resulted in a new vision that translated into a strategically focused work programme and a streamlined organizational structure for the Centre that received the approval of Member States. Viable linkages between the operational and normative activities of the Centre had infused a healthy flexibility into its work processes. The Office of Internal Oversight Services found, however, that the administrative support necessary to sustain those efforts was still weak and made 11 recommendations aimed at effecting the necessary improvements in personnel and financial management. All of the recommendations were accepted by the Centre and their implementation will be undertaken jointly with the United Nations Office at Nairobi.

(c) United Nations Environment Programme

173. Also in October 1999, the Office of Internal Oversight Services conducted a follow-up to the 1996 review of UNEP (see A/51/810, annex). In its second report (see A/54/817), the Office confirmed that the new management of UNEP had concentrated its efforts on addressing the recommendations made by the task force on UNEP and the United Nations Centre for Human Settlements, set up by the Secretary-General in 1998, as well as the issues previously raised by the Office.

174. The Office of Internal Oversight Services made 11 recommendations related to enhanced transparency in relations with donors and Member States, delegation of authority in administrative matters from the Executive Director to the managers directly responsible for programme delivery, strengthened staff/management relations, and institutionalization of feedback mechanisms to assess the usefulness of implemented programmes to end users. The recommendations were accepted, and the action to be taken by UNEP management was described in the second report.

2. Inspectoral visit to the Economic Commission for Africa

175. During the reporting period, the former Under-Secretary-General for Internal Oversight Services undertook an inspectoral visit to ECA. In his report to the Secretary-General, he noted that the process of renewal and reform had given strong indications that the new management team at ECA was determined to ensure the implementation of ECA mandates, through the adoption of a more focused programmatic structure, built around core thematic areas. These included facilitating economic and social policy analysis and implementation, ensuring food security and sustainable development, strengthening development management, harnessing information for development, and promoting regional integration. Representatives of member States were pleased with the increased coordination between ECA and the Organization of African Unity, and the emphasis on assistance to subregional economic groupings. At the time of preparation of the present report, ECA had commenced the necessary actions to implement the 10 recommendations made by the Office, including those on strengthening relationships with donor countries through more aggressive liaison, compliance with

deadlines for the submission of parliamentary documentation, streamlining administrative procedures, and establishing a system for the assessment of the usefulness of products and services delivered.

Representatives of member States were pleased with the increased coordination between ECA and the Organization of African Unity, and the emphasis on assistance to subregional economic groupings.

D. Programme performance monitoring

176. The Office of Internal Oversight Services prepared the report of the Secretary-General on the programme performance of the United Nations for the biennium 1998-1999 (A/55/73). There were three new features of performance monitoring and reporting in the biennium:

(a) The use of an electronic system, the Integrated Monitoring and Documentation Information System (IMDIS) developed by the Department of Economic and Social Affairs, for monitoring the progress made in implementing programmed output and reporting on the results;

(b) A considerable increase in the quantification of the programmed activities, resulting in a much larger number of specific output being subject to monitoring and reporting;

(c) The introduction of a qualitative assessment of programme activities, in which benefits realized are assessed against objectives defined in the medium-term plan.

177. The qualitative analyses of budget sections provided an overall view of the benefits brought about by the diverse substantive, operational and servicing activities of the Organization, and a summary of the impact of the reform and restructuring of the Secretariat. Notwithstanding the positive results, it was clear that performance management and monitoring required further improvement. The Office of Internal Oversight Services recommended that the timing and substance of the performance report as an instrument for future programme planning and budgeting should be studied with a view to enhancing its value to member States. At its fortieth session, the Committee for Programme and Coordination noted with appreciation the overall high implementation rate achieved by the Secretariat and the inclusion of the qualitative assessments. It found, however, that some of the assessments were too general and not very helpful in determining whether activities had resulted in expected outcomes. The Committee looked forward to further refinement of future programme performance reports in full compliance with the revised Regulations and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation.[3]

The qualitative analyses of budget sections in the programme performance report provided an overall view of the benefits brought about by the diverse substantive, operational and servicing activities of the Organization.

178. A second report of direct relevance to the above was the report of the Secretary-General on ways in which the full implementation and the quality of mandated programmes and activities could be ensured and could be better assessed by and reported to Member States (A/55/85). The report was prepared in pursuance of General Assembly resolution 54/236 of 23 December 1999, to further the discussion on improving the format and continuing usefulness of the biennial programme performance report. It takes into account the revisions to the Regulations Governing Programme Planning, the Programme Aspects of the Budget, Monitoring of Implementation and the Methods of Evaluation approved by the General Assembly, and the corresponding Rules.

179. To enhance the usefulness of the performance report in assisting the review bodies in their consideration of future programme budgets, the Office of Internal Oversight Services recommended that the performance report for the biennium 2000-2001 contain achievement indicators for the expected accomplishments, in addition to the quantitative data on the delivery of programme output. The Committee for Programme and Coordination took note of the above-mentioned report of the Secretary-General and reaffirmed the Regulations and Rules.[4]

E. Programme evaluation

(a) In-depth evaluation of global development trends, issues and policies, and global approaches to social and microeconomic issues and policies, and the corresponding subprogrammes in the regional commissions

180. The main findings of the in-depth evaluation of global trends, issues and policies, and global approaches to social and microeconomic issues and policies, and the corresponding subprogrammes in the regional commissions (E/AC.51/2000/2) were presented in two sections, on global and regional programmes. A further section elaborated common issues of programme implementation, highlighting good practices in a number of units. Recommendations were made to enhance the contribution of the economic and social surveys to intergovernmental processes, improve the interaction between the analytical functions and operational activities of the Department of Economic and Social Affairs, develop collaboration among the various units dealing with these issues throughout the Secretariat, and promote higher visibility for the results of analytical work. The Committee for Programme and Coordination took action on the recommendations of the in-depth evaluation.[5]

(b) In-depth evaluation of the advancement of women programme

181. The in-depth evaluation report of the advancement of women programme (E/AC.51/2000/3) reviewed the achievements and shortcomings of the following activities: (a) servicing of intergovernmental bodies and the Committee on the Convention on the Elimination of Discrimination against Women; (b) monitoring of the Beijing Platform for Action[6] and of gender mainstreaming and the status of women in the Secretariat; (c) coordination; (d) outreach; and (e) gender advisory services. The recommendations made were aimed at enhancing the effectiveness of the reporting mechanism of the Convention on the Elimination of All Forms of Discrimination against Women and efforts to promote its work; improving coordination within the framework of the Inter-Agency Committee on Women and Gender Equality and between the Division for the Advancement of Women and other United Nations programmes and entities; and marketing and distribution of the publications of the Division for the Advancement of Women, improvement of the *WomenWatch* and the Division for the Advancement of Women web sites, encouraging the staff of the Division to publish in professional journals, and the improvement of collaboration with non-governmental organizations. The Committee for Programme and Coordination took action on the recommendations arising from the in-depth evaluation.[7]

(c) Triennial reviews of the implementation of the recommendations made by the Committee for Programme and Coordination at its thirty-seventh session on the evaluations of the Department of Humanitarian Affairs and the statistics programme

182. Triennial reviews are submitted in accordance with the decision taken by the Committee for Programme and Coordination at its twenty-second session to review the implementation of recommendations three years after taking a decision on an in-depth evaluation.

183. The discussion of the triennial review of the former Department of Humanitarian Affairs is set out in paragraphs 69 and 70 above.

184. Efforts to implement the recommendations of the in-depth evaluation of the statistics programme were reviewed in terms of four topics: the transition from a focus on publications to a focus on customized services; publications; coordination of the programme and services; and utilization of staff resources. At its thirty-seventh session, the Committee for Programme and Coordination considered the in-depth evaluation of the statistics programme (E/AC.51/1997/2), and endorsed the recommendations of the Office of Internal Oversight Services on the understanding that the Director of the Statistics Division would propose an implementation plan and timetable to the Working Group on International Statistical Programmes and Coordination of the Statistical Commission at its meeting in 1998. The triennial review report (E/AC.51/2000/4) concluded that the implementation plan and schedule presented to the Working Group by the Statistics Division represented a concerted effort to implement the recommendations arising from the in-depth evaluation, as endorsed by the Committee for Programme and Coordination.

(d) Strengthening the role of evaluation findings in programme design, delivery and policy directives

185. In its report on strengthening the role of evaluation findings (see A/55/63), the Office of Internal Oversight Services reviewed in-depth evaluation and self-evaluation activities in the United Nations during the period 1998-1999, highlighted several developments in United Nations evaluation practices and concluded that the situation had improved significantly, compared to that described two years earlier. The report contained background information needed by the Committee for Programme and Coordination and the General Assembly to assist them in selecting topics for future in-depth evaluations. The schedule of in-depth evaluations is as follows:

2001	Population
	Sustainable development
2002	General Assembly and Economic and Social Council affairs; Economic and Social Council support and coordination
	Legal affairs

The report highlighted several developments in United Nations evaluation practices and concluded that the situation had improved significantly, compared to that described two years earlier.

IV
Cross-references to mandated reporting requirements

186. Subparagraphs (a) to (h) of paragraph 28 of the Secretary-General's bulletin ST/SGB/273 set out eight categories of information to be included in the annual reports of the Office of Internal Oversight Services. In terms of those categories, the following information is contained in the present report:

(a) A description of significant problems, abuses and deficiencies, and related recommendations of the Office (see chaps. I and III above);

(b) Recommendations not approved by the Secretary-General (none);

(c) Recommendations in previous reports on which corrective action has not been completed, or where management revised a decision taken in a previous period (see annex I);

(d) Recommendations on which agreement could not be reached with management, or where requested information or assistance was refused (there have been no such situations);

(e) The value of cost savings recommended and amounts recovered (see chap. I above, box II).

Notes

[1] See *Official Records of the General Assembly, Fifty-fifth Session, Supplement No. 5E* (A/55/5/Add.5), chap. I, sect. C.2.

[2] Personnel who are provided to the United Nations by a Government or other entity which is responsible for their remuneration, and who are not serving under an established regime, such as that applicable to interns, associate experts or personnel provided on a non-reimbursable loan under the provisions of administrative instruction ST/AI/231/Rev.1.

[3] *Official Records of the General Assembly, Fifty-fifth Session, Supplement No. 16* (A/55/16), part two, chap. II, para. 22.

[4] Ibid., para. 30.

[5] See ibid., paras. 243 and 244.

[6] *Report of the Fourth World Conference on Women, Beijing, 4-15 September 1995* (United Nations publication, Sales No. E.96.IV.13), chap. I, resolution 1, annex II.

[7] *Official Records of the General Assembly, Fifty-fifth Session, Supplement No. 16* (A/55/16), part one, chap. II, paras. 254-257.

Annex I

Significant recommendations in reports of the Office of Internal Oversight Services on which corrective action has not been completed

Office of Internal Oversight Services function	Addressee; subject; reference to previous annual reports	Status
Audit	Department of Management/Integrated Management Information System (IMIS) development contract A/53/829, para. 49	The Office of Internal Oversight Services made three recommendations calling for 12 separate actions to strengthen management and accountability of the remaining IMIS implementation tasks, including the integration of IMIS training into the overall training programme of the Organization, and identification of further opportunities to streamline administrative processes through effective use of IMIS. Implementation has been completed for three of the recommended actions but further steps need to be taken by the Department of Management to fully implement the other nine.
Audit	Department of Peacekeeping Operations/United Nations Transition Mission in Haiti; Department of Political Affairs/Trust Fund for Electoral Assistance A/53/428, paras. 26 and 27	An audit of the United Nations Transition Mission in Haiti disclosed a breakdown of internal controls and serious weaknesses in the management of the Trust fund for Electoral Assistance, including an unreconciled discrepancy of almost $625,000 between the amounts advanced to, and those accounted for by, the Provisional Electoral Council. A follow-up audit by the Office revealed that the discrepancy concerning the reconciliation of trust fund accounts has not yet been resolved. The Department advised that the accounts of the Trust Fund had been reconciled and the residual balance transferred to the United Nations Development Programme. The Office will follow up this matter with the Office of Programme Planning, Budget and Accounts.
Evaluation	Department of Management/in-depth evaluation of the Department of Humanitarian Affairs A/52/426, para. 41, and A/53/428, appendix I	As noted in paragraphs 5 to 7 of document E/AC.51/2000/5, no significant action had been taken as at the end of the present reporting period on the implementation of recommendation 1, concerning special emergency rules and procedures, of the in-depth evaluation of the Department of Humanitarian Affairs (E/AC.51/1997/3). It is more than three years since this recommendation was accepted by the Department of Management.

Annex II

Reports of the Office of Internal Oversight Services during the period from 1 July 1999 to 30 June 2000

A. Reports transmitted to the General Assembly

Investigation into the award of a fresh rations contract in a United Nations peacekeeping mission (A/54/169)

Review of the Office for the Coordination of Humanitarian Affairs (A/54/334)

Audit of the management of service and ration contracts in peacekeeping missions (A/54/335)

Investigation into the field office in Lebanon of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (A/54/367)

Audit of the liquidation of peacekeeping missions (A/54/394 and Corr.7)

Management audit of the conference centres at the Economic Commission for Africa and the Economic and Social Commission for Asia and the Pacific (A/54/410)

Investigation into allegations concerning an electronic commerce project at the United Nations Conference on Trade and Development (A/54/413)

Investigation into the $6.9 million procurement of quartering area goods in the United Nations Angola Verification Mission (A/54/548)

Investigation into allegations of fraud in travel at the United Nations Mission in Bosnia and Herzegovina (A/54/683)

Follow-up review of the programme and administrative practices of the United Nations Centre for Human Settlements (Habitat) (A/54/764)

Audit of contingent-owned equipment procedures and payments to troop-contributing countries (A/54/765 and Corr.1)

Follow-up to the 1996 review of the programme and administrative practices of the United Nations Environment Programme (A/54/817)

Audit of the Office of the Human Rights Field Operation in Rwanda (A/54/836)

Strengthening the role of evaluation findings in programme design, delivery and policy directives (A/55/63)

Programme performance of the United Nations for the biennium 1998-1999 (A/55/73)

Ways in which the full implementation and the quality of mandated programmes and activities could be ensured and could be better assessed by and reported to Member States (A/55/85)

B. Reports transmitted to the Committee for Programme and Coordination

In-depth evaluation of the global development trends, issues and policies, and global approaches to social and microeconomic issues and policies, and the corresponding subprogrammes in the regional commissions (E/AC.51/2000/2)

In-depth evaluation of the advancement of women programme (E/AC.51/2000/3)

Triennial review of the implementation of the recommendations made by the Committee for Programme and Coordination at its thirty-seventh session on the evaluation of the statistics programme (E/AC.51/2000/4)

Triennial review of the implementation of the recommendations made by the Committee for Programme and Coordination at its thirty-seventh session on the in-depth evaluation of the Department of Humanitarian Affairs (E/AC.51/2000/5)

C. Audit reports (departments/audit subject)

Executive Office of the Secretary-General	Trust Fund on Real and Personal Property Willed to the United Nations
Department of General Assembly Affairs and Conference Services	Management of conference services, with specific application to the area of interpretation services
Department of Political Affairs	United Nations Special Coordinator in the Occupied Territories
Office of the Iraq Programme	Contract for the supply of inspection agents in Iraq under the oil-for-food programme
	United Nations Office of the Humanitarian Coordinator for Iraq
United Nations Office of the Humanitarian Coordinator for Iraq	United Nations Office of the Humanitarian Coordinator for Iraq
United Nations Compensation Commission	Review of the implementation of the integrated database of the United Nations Compensation Commission: interim report
	Budgetary procedures of the United Nations Compensation Commission
United Nations Special Commission	Bahrain Office of the United Nations Special Commission
Department of Peacekeeping Operations	United Nations Observer Mission in Angola
	United Nations Mission of Observers in Tajikistan
	United Nations Civilian Police Mission in Haiti

	Liquidation of the United Nations Mission in the Central African Republic
	United Nations Verification Mission in Guatemala
	United Nations Force in Cyprus
	Resident audit of the United Nations Mission in Bosnia and Herzegovina
	Global vehicle procurement project
International Criminal Tribunal for Rwanda	International Criminal Tribunal for Rwanda
Department of Economic and Social Affairs	Project of the Department of Economic and Social Affairs: MAG/97/008 — Mise en valuer et gestion intégrée en eau dans le grand sud (Tuléar, Madagascar)
	Project executed by the Department of Economic and Social Affairs: CPR/97/G31 — Capacity-building for the rapid commercialization of renewable energy in China
	Project executed by the Department of Economic and Social Affairs: CPR/96/631 — Promoting methane recovery and utilization from mixed municipal refuse
International Trade Centre	International Trade Centre procurement
United Nations Conference for Trade and Development	Technical cooperation project management
United Nations Environment Programme (UNEP)	Division of Technology, Industry and Economics
	Use of type II gratis personnel at the Division of Technology, Industry and Economics
	Regional Office for North America
	Expenditures on the Non-reimbursable Technical Cooperation Agreement between UNEP and the Inter-American Development Bank
	East Asian Seas/Regional Coordinating Unit
	Regional Office for Asia and the Pacific

United Nations Environment Programme/secretariat of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)	Beeswax project in the United Republic of Tanzania, funded by UNEP/CITES and executed by the World Wildlife Fund for Nature
United Nations Centre for Human Settlements (Habitat)	Review of organizational and staffing issues
	Follow-up review of the audit of the United Nations Conference on Human Settlements (Habitat II)
United Nations Office for Drug Control and Crime Prevention	Regional Office for Central Asia (Uzbekistan)
	United Nations International Drug Control Programme: Caribbean Regional Office in Barbados
Economic Commission for Africa	Headquarters management of subregional development centres
	Central African Subregional Development Centre
Economic Commission for Europe	Programme outputs for the biennium 1996-1997
Office of the United Nations High Commissioner for Human Rights	Human Rights Field Operation in Rwanda
	Field support services
	Management audit of the Office of the High Commissioner for Human Rights: Project section COL/98/RB4 — Support to the Office of the High Commissioner in Colombia
	Headquarters administration
	Field Operation in Burundi
Office of the United Nations High Commissioner for Refugees	Operations in Algeria
	Operations in Argentina
	Operations in Armenia
	Operations in Burundi
	Operations in the Democratic Republic of the Congo
	Operations in Ethiopia
	Operations in Georgia

	Operations in Guinea
	Operations in Iraq
	Operations in Côte d'Ivoire
	Operations in Kosovo
	Operations in Malawi
	Operations in Liberia
	Operations in Rwanda
	Operations in Senegal
	Operations in Slovenia
	Operations in Sri Lanka
	Operations in the United Republic of Tanzania
	Operations in Yemen
	Operations in Zambia
	Operations in Zimbabwe
	Service agreement with the International Computing Centre
	Headquarters telecommunications
	Headquarters travel
Department of Public Information	Public Affairs Division
	Publications sales and marketing activities at the United Nations Office at Geneva
Department of Management	Administration of the travel process
	Management audit of attendance and leave systems
	Horizontal audit of the United Nations Treasury operations at Headquarters, Geneva, Nairobi and Vienna
	United Nations Headquarters Garage Administration
	United Nations Gift Centre operations
	Transportation operations
United Nations Office at Vienna	United Nations Postal Administration: Europe

United Nations Office at Nairobi	Payroll and allowances
	Overtime payment system at the United Nations Office at Nairobi, UNEP and the United Nations Centre for Human Settlements
	Follow-up review of recommendations made in the audit report on UNEP staff travel claims
	United Nations petrol station
International Computing Centre	Review of the preparedness of the International Computing Centre for the year 2000 problem

D. Investigation reports (department/investigation/subject)

Department of Peacekeeping Operations	Procurement (multiple reports)
	Death of staff member
	Fraud in Travel Unit
	Wire fraud
	Attempted theft
	Civil administration
	Mismanagement
	Medical insurance fraud
	Discrimination
International Tribunal for the former Yugoslavia	Review
International Criminal Tribunal for Rwanda	Advisory
Office of Central Support Services	Medical insurance fraud
	Sick leave abuse
Office of the United Nations High Commissioner for Refugees	Misconduct (multiple reports)
United Nations Conference on Trade and Development	Electronic commerce
United Nations Environment Programme	Assault
	Conflict of interest
	Gambling

	Abuse of authority
	Trust fund account
United Nations Office at Geneva	Forgery
United Nations Office at Nairobi	False dental claims
	False security grant claims (multiple reports)
	Procurement (multiple reports)
	Trafficking of duty-free items
	Leak of document
United Nations Office at Vienna	Mala fide complaints
	Misconduct